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War on cancer We are winning, albeit slowly'



Britain and the KU The case for a referendum



Global Custody Bristol

FINANCIAL TIMES

Europe's Business Newspape

Iberia crisis talks as dispute halts Spanish flights

Airline management and unions were locked in crisis talks last night to stop Iberia, Spain's national carrier, from sliding into bankruptcy. Strikes in all domestic airports brought air traffic in Spain to a virtual halt, stranding tens of thousands of passengers. The airport chaos highlighted a bitter confrontation over management plans to slash the airline's costs. The dispute threatens to disrupt Spain's ruling socialist government and to strain the country's relations with the European Commission. Page 20; Lex. Page 20

UK Tories face down rebels: Kenneth Clarke, chancellor of the exchequer, delivered an uncompromising defence of Britain's policy towards the European Union as the government faced down a threatened rebellion by its own backbench MPs over the Brussels budget. Page 20; Minister turns down House of Lords, Page 10; Joe Rogaly, Page 18

Bayer, German chemicals multinational, is to re-focus its pharmaceuticals research away from more crowded market sectors and towards treatments for allergies, rheumatic ailments and Alzheimer's disease. Page 21; Lex, Page 20

EU to lift Syrian arms embargo: The European Union is to lift its eight-year embargo on sales of arms to Syria. The decision was immediately condemned by Israel's foreign minister Shimon Peres. Page 20

China saves face on Gatt deadline: China said it would offer no new concessions in negotiations to rejoin the General Agreement on Tariffs and Trade if talks were not concluded by the end of the year, but indicated it would continue to negotiate after the deadline. Page 8

Close Uruguayan poli to slow reform



Julio Maria Sanguinetti (left) was declared president-elect of Uruguay, as his Colorado party edged ahead of the governing Blanco party and the left-wing Encuentro Progresista coalition in the country's closest ever election. The virtual three-way tie. mirrored in parallel congressional

elections, will force Mr Sanguinetti to forge a coalition, which is likely to

Renault, the French state owned motor group floated on the stock market earlier this month, should be privatised in the second half of next year said French industry minister José Rossi. Page 21

Chechnya threat to Russian Ilves: The

breakaway Russian republic of Chechnya threatened to execute 70 Russian fighters it claimed to have captured unless Moscow admitted it was directly involved in trying to destabilise President Dzhokhar Dudayev's regime. Page 2 Kohl sets pace: Germany's Chancellor Helmut

Kohl, easily re-elected as leader of the governing Christian Democrats, warned his party of the need to liberalise the economy and open itself up to the younger, and female, generation. Page 2

Japan Airlines said its earnings would be unaffected by estimated losses on 1985 forward currency buying contracts of Y176.3bn (\$1.7bn) by the end of this accounting year. Page 21

Republicans jockey for 1996: The developing rivalry between two potential Republican presidential candidates, Senators Robert Dole and Phil Gramm, could get an early airing this week as the party begins to choose senior congressional leadership positions. Page 4

Mass murderer killed: American mass murderer Jeffrey Dahmer was killed in an attack in a Wisconsin prison where he was serving 15 life sentences for, murdering 17 young men and boys.

Taiwan concerned at pace of growth: Taiwan's economy showed signs of overheating in October for the second consecutive month, the country's planning ministry warned. Page 7

Ethiopia's Mosiems protest: About 100,000 Moslem Ethiopians demonstrated in Addis Ababa against their treatment in the secular state. About 45 per cent of Ethiopians are Moslems but Coptic Christians hold sway over most of the country.

Chagaii suspects held: Two well-known figures in the Paris art world have been held on suspicion of theft and receiving stolen paintings by Marc Chagall. Police said at least 40 paintings were taken from Chagall's studio after he died in 1985 and sold for about FFr50m (\$10m).

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West unites to call for settlement in former Yugoslavia

Emme Tucker in Brussels and

The US, its European allies and Russia, struggling to avert a bit-ter international row over Bosnia, joined forces yesterday to press for a ceasefire in the enclave of Bihac and a broader settlement in former Yugoslavia.

Mediators from the five-nation contact group - comprising the US, Russia, Britain, France and Germany – held secret talks with Serbian President Slobodan Milosevic at a villa in a remote area north of Belgrade.

In a day of hectic diplomatic activity in former Yugoslavia, Washington and Brussels, the contact group also called for an immediate truce in both Bihac and Bosnia as a whole.

Mr William Perry, the US defence secretary, said Washington would "seriously consider" any request for troops to help oversee the withdrawal of UN peacekeepers from Bosnia. But he hoped that no pull-out would be necessary, as the peacekeepers were playing an important role. His comments were welcomed in Europe as a sign that the US

administration, unlike Congress.

remained sympathetic to its

allies' concerns. In Bihac, blood-letting dragged on as two mortar rounds exploded within the notionally UN-protected safe area and one man, apparently a civilian, was killed. Diplomatic recriminations over Bosnia also continued, with

European Union foreign minis-

Five-nation contact group in talks with Serbian president

the US Senate's Republican majority, on the stance of Britain and France.

Mr Douglas Hurd, the UK foreign secretary, said Mr Dole's comments - calling for an imme-diate UN withdrawal and arms deliveries to Bosnia - reflected a mistaken view about what outside forces could do to end the fighting. Mr Dole said he hoped to narrow his differences with

Union tries to agree line onPage 2 Editorial Comment.....Page 19

the UK over Bosnian policy in a trip to Europe starting today. "Nato's inability to respond to a war of aggression on southeastern Europe raises serious questions about Nato's future plans to expand to central and eastern Europe," Mr Dole said before he

In a clear reference to US calls for tougher air action. Mr Hurd said peace in the Bihac area "will not be achieved by fostering illusions about what Nato air power can achieve". The IIN was continuing vester-

day to work for a ceasefire accord between Bosnia's Moslem-led government - which favours a the danger to the Atlantic allithree-month truce - and the ance.

ters angrily rejecting an attack by Mr Robert Dole, leader-elect of indefinite. British officials said indefinite. British officials said the contact group mediators were briefing Mr Milosevic on the group's latest ideas, which are

> ing of sanctions on Serbia if he fully recognises Croatia. The group, in a significant con-cession, has also indicated that it will consider allowing the Bosnian Serbs a "special relationship" with Serbia if they accept

reported to include a further eas-

the international peace plan.
The idea of "confederal ties"
between the Bosnian Serbs and Belgrade was firmly rejected by the Bosnian government last night, and western officials stressed that the issue could not even be raised unless the Serbs agree to the existing peace pro-

France, meanwhile, launched a fresh appeal to the UN and Nato to "ensure the respect" of safe havens in Bosnia. Paris called for a renewed effort to find an overall settlement between Serbia. Bosnia and Croatia that took no account of recent Serb gains in the Bihac area.

Despite the signs of improving international co-ordination over Bosnia, bitter arguments were raging in several western capitals over how to settle the conflict, and there were fresh warnings of

Large postal vote may favour the Yes side



Hoping for a Yes from fellow Norwegians: Gro Harlem Brundtland, the country's prime minister, brandishes the envelope containing a vote on European Union membership at a polling station in Oslo

ulation, the US networks are

barred from domestic syndication

until November 1995, although

they are permitted to syndicate

abroad. ABC said programmes

from the venture are not expec-

a separate entity, with day-to-day

operations controlled by a senior

executive yet to be appointed.

The studio will be managed as

ted to be on air before 1996.

Polls see close finish in Norway **EU** vote

By Hugh Carnegy and Karen Fossii in Osio

Two election-day opinion polls last night predicted a neck-andneck outcome in Norway's vote on membership of the European Union in yesterday's referen-

One poll on the state NRK television network forecast a 52.6 per cent majority for the No side, while the commercial station TV2 predicted a Yes victory with a majority of 50.1 per cent. Indicating that the race was neck-and-neck, after 35 of 628 municipalities had been counted the Yes

side led by 52 to 48 per cent. Both sides said the surveys were not conclusive pointers. A crucial factor is likely to be the 13 per cent of total votes cast as postal ballots in advance and not reflected in the opinion polls. This vote was particularly large in cities where the Yes side is counting on a big majority.

Officials said turnout yesterday had been high among the 3.6m voters. They said it could reach 85 per cent.

Norway is the last of four countries from the European Free Trade Association to hold a referendum on whether to join the EU, which currently has 12 members, next year. Austria, Finland and Sweden have voted

bership earlier this month, the Yes side in Norway began making gains as the Labour government, led by Mrs Gro Harlem Brundtland, the prime minister, urged Norwegians not to leave the country isolated Mrs Brundtland has made as

After Sweden approved mem-

her central political goal the reversal of Norway's rejection of membership of the European Economic Community in 1972.

Despite the traditional reluctance of Norwegians to embrace Brussels - many fear it will erode the country's indepenand other natural resources -Mrs Brundtland has sought to

Continued on Page 20

owner joins Spielberg in TV venture

By Tony Jackson in New York

Capital Cities/ABC, owner of the US television network ABC, is to join forces with the newly formed Hollywood trio of Spielberg, Katzenberg and Giffen to create a TV studio.

The joint venture, in which the two sides will initially invest \$100m apiece, aims to produce and syndicate a broad range of TV programmes.

The venture puts ABC in the vanguard of a general move by the US TV networks into producing their own material, from which they were largely barred by government regulation until

It is also expected to increase the level of competition with the which plan to set up their own most important considerations material. Under government reg-TV networks in retaliation.

The partnership between the film maker Steven Spielberg, former Disney production chief Jeffrey Katzenberg and the recording impresario David Geffen Was set up in October to produce films, music, cartoons and interactive entertainment as well as TV programmes.

The trio's original intention to strike a deal with the Hollywood studio MCA has been thwarted by uncertainties over the relationship between MCA and its parent, Matsushita of Japan.

Mr Katzenberg, whose recent resignation from Walt Disney was seen as a blow to the company, said: "As the entertain-Hollywood studios, some of future, it is clear that one of the and would also syndicate its

will be the ever-evolving relationship between the Hollywood studios and the broadcast community. When David, Steven and I formed our company, one of our initial goals was to build a strategic alliance with a broadcast

An ABC executive said the initial \$200m investment was merely a start-up figure. "If it is working well and needs more, we'll be willing to invest more, she said. While ABC had invested in its own production facilities and in other joint projects, this would be its largest production

venture. The partners said the new venture would produce programmes ment industry looks to the for TV networks and cable TV,

The venture illustrates a grow-

ing trend in the US whereby the

explosion in communications

media has created a large appe

tite for entertainment material.

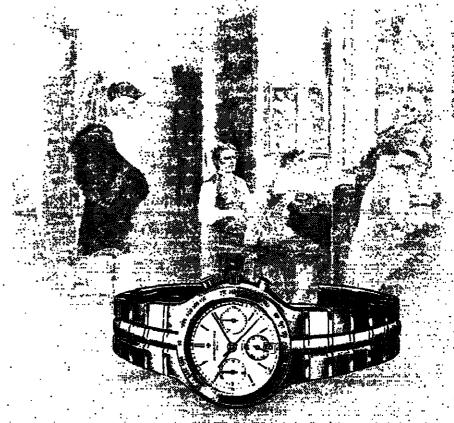
Many in the industry believe

most profit in the next few years

will go to the providers of con-

tent, rather than the owners of

the distribution channels.



THE WORLD'S OLDEST WATCH MANUFACTURER

Campbell Soup adds hot sauce to spice up US sales

By Richard Tomkins in New York

Campbell Soup, the US food company best known for its condensed soups, is to add some spice to its product line-up with the acquisition of Pace Foods, the world's biggest maker of Mexican-style hot sauces, for \$1.1bn in

Mr David Johnson, Campbell's chairman and chief executive, described Pace Foods as a "brand jewel" and said the acquisition would provide Campbell with a "turbo-charged" new business

The privately owned Pace Foods is based in San Antonio, Texas, near the Mexican border. Its main product is salsa, a hot sauce accompanying Mexican food and increasingly used in the US as a dip or condiment with other dishes.

Salsa, consisting mainly of crushed tomatoes and chilli, has become popular with an increasingly health-conscious US public because it is low in fat and per-

SP:3.30 S250.00 Oh1.500

According to Campbell, US supermarket sales of salsa and other Mexican-style sauces have

grown at an annual rate of 13 per cent since 1988 and have now overtaken sales of ketchup in the Campbell is expecting further rapid growth in the category in

the US and overseas. Pace Foods has 471 full-time employees, most of them working in two factories near its headquarters. It is expected to end the current year with sales of \$220m

and operating profits of \$54m. More than \$1bn of the purchase price consists of goodwill, reflecting the fact that Pace has the strongest brand name recognition among consumers of Mexican food products in the US.

Campbell said the acquisition. expected to be completed in January, would dilute earnings per share by 7 cents in 1995 and the same again in 1996, but would start adding to earnings in 1997. Its shares were up \$1/8 at \$43 7/8

Campbell's existing range of products includes soups, spaghetti, fruit and vegetable juices, frozen foods, salad dressings, bakery products, pickles, olives and chocolates. Apart from Campbell's, its brand names include Pepperidge Farm, Vlasic, Mrs Paul's, Prego, Swanson and

The company has been handicapped by the fact that its US market is largely mature, but like other US food companies, it has been looking for growth through a combination of acquisitions and expansion oversess.

It now gets about 30 per cent of its sales from businesses in Europe, Latin America and Asia, and the percentage is growing.

Since the arrival of Mr Johnson as chairman and chief executive in 1990, the company has shown strong profits growth. In its financial year to July 1994, net earnings rose by 16 per cent to \$630m. or \$2.51 a share, on sales of \$6.7bm.

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vesterday. Presenting a report on the EU's cross-border road and rail projects part of the trans-European networks project - Mr Christophersen said

sible for economic affairs, revealed

and a further two were almost there.

Mr Christophersen was urging foreign ministers meeting in Brussels yesterday to accept or reject plans for the 14 priority projects - valued at a total Ecu91bn (£71bn) - at the forthcoming summit for heads of state in Essen, Germany.

The report, drawn up by experts from across the Union, also proposed the adoption of 10 international

a list of 14 were completely ready, sures. Its recommendations amount to an updating of last December's white paper on jobs, growth and competitiveness which is to be tackled by the heads of state at Essen.

The disarray in the finances of most of the transport projects represent a setback for the desire of Mr Jacques Delors, Commission president, to boost European competitiveness. He had urged the use of so-called "Euro-bonds" to fund gaps in financing, but this has been

only three transport schemes out of European air traffic control mea- resisted by some member states, notably Britain. The UK argues that four key sources of finance national exchequers, private finance, loans from the European Investment Bank and designated EU funds – should be sufficient to support the projects and that no additional fund-

ing instruments are necessary. Yesterday, Mr Christophersen said no doors should be closed when it came to financing. The report included a recommendation that "measures will be taken, if proven necessary, in order that priority projects do not run into financial or other obstacles which would jeopardise their implementation".

However, the British contributor to the report distanced himself from suggestions that the Union could agree in the future to "new" forms of fi<u>nancial</u> support.

The three projects for which financing is complete are: development of Malpensa airport at Milan; the Cork-Dublin-Belfast-Stranraer rail link; and a fixed road and rail link

between Denmark and Sweden. Finance is almost in place for development of Greek motorways and a motorway between Lisbon, the Portoguese capital, and the Spanish city of Valladolid.

The report stressed that the biggest obstacles to trans-European net works were administrative. It said governments had to work to change regulations that differ from country to country and to ensure co-ordination to avoid basic problems like different electrical systems.

Aid plan to back Irish

peace By David Gardner

European Union leaders are expected to agree substantial new aid to bolster the Northern Irish peace plan at their summit in Essen on December 9-10, senior EU officials said

The "peace grants", targeter mainly on creating jobs and improving infrastructure. could total Ecu625m (£490m) in new money between 1995 and 1999.

Mr Jacques Delors, European Commission president, briefed foreign ministers meet ing in Brussels on the shape of the peace package, put together for the whole of Northern Ireland and the six bordering counties of the Irish Republic.

The Commission is expected to agree a final proposal for en on December 7, and has been consulting widely at grassroots level in the pro-British Unionist and Irish nationalist communities in the province. Senior officials in London and Dublin say both governments endorse the initiative. "It's virtually giftofficial said.

Brussels is suggesting an initial commitment of Eco300m from the EU budget for 1995-97, with an extension of the same rate of new funding – Ecol00m a year – for a further two years if the scheme is working. About 80 per cent of this would go to Northern Ireland and the rest to the bordering counties.

The UK and Ireland would contribute additional new money, worth 25 per cent of the new EU funds spent within their territory, for a total Britain, which has clashed

with the Commission in the nast about the normal legal requirement to "match" EU aid with "additional", or genuinely new money, says there will be no repackaging of aiready committed funding for

Mr John Major, British prime minister, gave a public commitment in Belfast late last month that the UK would put in new funding to match extra EU grants.

The EU has already committed Ecul 23bn to Northern ireland in 1994-99, under the structural funds aid programme, as well as Eco20m a year to the multinational International Fund for

Van Miert rejects French EU power plan

By Michael Smith

French proposals to alter significantly the European Commission's proposed directive on liberalising the electricity market in the European Union were yesterday described as unacceptable by Mr Karel Van Miert, competi-

Mr Van Miert said the French proposals would be contrary to existing community rules, partly because they would allow power companies in some countries to preserve a monopoly on imports and

He was speaking ahead of a meeting in Brussels today of the council of EU energy ministers which will consider the French "single buyer" propos-als along with the Commission's plan to promote so-called third party access.

Third party access would make it possible for power companies to sell electricity directly to industrial power users in another country by giving them access to that country's transmission system.

Under the single buyer pro-possis such deals would have to be conducted through a transmission system operator in the buyer's country. The operator would be responsible for running the system and meeting new demand for electricity.

Critics of the single buyer system, including the UK, say the single buyer concept would have little practical impact on increasing competition

Energy ministers will today consider several options, the most likely of which is an inconclusive outcome in which they will order an investigation into whether the single buyer and third party access proposals are compatible.

Ministers will focus on proposals for the electricity market. Gas is being given less

Mr Van Miert, speaking at a Royal Institute of International Affairs conference in London, said the Commission had a solid commitment to create international energy markets. He said the third party access and other proposals in

the directive, first drafted two years ago, went no further than expressing existing rights in Union treaties. He indicated that the Com-

mission would press harder for kets through the courts if no

launched its drive to liberalise the energy markets five years ago, it has made only limited progress, with two previous directives having a relatively peripheral effect.

In discussions over the current directive, most member states have agreed on introducing competition in generation and on the need to "unbundle the accounts of integrated power companies' by separating out production, transmission and distribution costs. However, free market countries argue that the electricity market will only begin to become competitive if third

Union tries to agree line on enlargement

By David Gardner in Brussels

The European Union was struggling yesterday to paper over its differences regarding enlargement to embrace eastern Europe, and to assemble a package which EU leaders can endorse at their Essen summit on December 9-10.

Still to be agreed are the amount of EU funding needed to assist integration of the former communist states, the extent of EU reform in areas like agriculture before they join around the turn of the century, and the degree of trade access to the Union's single market they will be given in

The hub of the strategy, designed for Hungary, Poland, the Czech Republic, Slovakia, Bulgaria and Romania, remains intact, however. This is to draw up a white paper detailing the changes the newcomers need to make to their legislative, regulatory and standards regimes to bring them into line with the EU.

'If this is not the actual Rubicon, then it's very close to it," one senior European Commission official said. "If the east Europeans sign up to the single market, then the only arguments you've got against integrating them are essentially internal, not very respectable ones.

But such arguments, over money, agriculture, and trade access, were on display yesterday when EU foreign ministers met to prepare the summit.

Brussels wants to commit Ecu7bn (£5.5bn) in aid under its Phare programme for east-Europe 1995-99. Southern and Mediterranean parallel commitments on the recently unveiled Ecu5.5bn aid plan for the Middle East and North Africa, before they sign up to

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Work is far less advanced on the Mediterranean strategy, however, and the German presidency of the EU yesterday secured a compromise which

will get it past the summit.
Aid already pledged aid for next year (Ecul.16bn for east central Europe and Ecu492m for the Mediterranean) will be minimum benchmarks for succeeding years. with the amounts by which they are to increase to be decided later.

Under the Commission plan. the 1996 figures, for example, would be Ecul.23bn for the east, and a sharper increase to Ecu710m for the Mediterranean. However, up to a quarter of this will be available for big infrastructure schemes in the east, including up to eight road, rail and gas pipeline projects to be examined at Essen. On agriculture, the UK -

strongly opposed by France -demanded a full debate on reform of the common agricultural policy, the cost of which would rocket if it were extended without changes to the east. "That is a discussion we cannot avoid," said Mr Douglas Hurd, UK foreign sec-retary. But Essen now looks certain merely to call for a Commission study on the impact of eastern enlargement on the CAP and other expen sive EU policies such as aid to backward regions.

Tomorrow, Brussels will try to resolve the trade access question, but only through what one official called "fairly modest" improvements in rules of origin for incoming eastern allow an "accumulation" of rules of origin, with a product containing added value of at least 40 per cent from any three of the six states counting as an EU good and entering



Kohl cracks whip over CDU

Judy Dempsey reports on Chancellor's warning to his party congress the party to endorse this call

Germany, who was easily reelected as party leader yesterday, threw down the gauntlet to his governing Christian Democrats by warning them to liberalise the economy and open up the party to the

If not, Mr Kohl warned, the coalition government, fresh from winning a fourth term in office but with a majority of just 10 seats in the lower house, would not be ready to

trump and establish their European

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Chancellor Helmut Kohl of face the electorate in four of the CDU/CSU, yesterday years' time. In a speech to the CDU's first

party congress since it narrowly won last month's federal election, Mr Kohl highlighted the splits within the party, particularly on how far it should oith the position, as well as modernising its recruitment and promotion structures.

CDU officials yesterday openly admitted that the combined opposition of Social Democrats. Greens/Bündnis 90 and the reformed east German communist Party of Democratic Socialism could no longer be ignored by the govern-

The opposition holds 331 seats in the Bundestag, ten less than the governing coalition of the CDU, the Bavarian-based Christian Social Union, and the Free Democrats. The FDP's seat tally was reduced by 32 to

As a measure of the potential threat posed by the opposition. both Mr Kohl and Mr Wolfgang Schäuble, parliamentary leader

refrained from criticising it, thus endorsing a strategy the latter hopes will keep the opposition divided.

Last week, Mr Schäuble said the Greens/Bundnis 90 could join the parliamentary commitsecurity issues from which they have traditionally been excluded. Earlier, the CDU voted for Mr Antje Vollmer, a Green deputy, as one of the four deputy speakers of parlia-

The need to prevent any opposition alliance from emerging, and to break the growing influence of the PDS in east Germany is now seen as one of the main strategies of the CDU, senior officials said vesterday.

On Sunday, the CDU party in the eastern state of Thuringia, which set up a grand coalition with the SPD at the weekend said the Christian Democrats should open the party up to labelled the PDS as a black party painted red. The CDU is even divided over how it should be modernised. The more conservative rank-and-file would prefer, for example, no special quota for women, a system introduced by the Social Democrats and

officially. Mr Peter Hintze, gen-

eral secretary and a staunch

critic of the PDS, yesterday

said he opposed was com-

pletely any co-operation with "the radicals", signalling dis-

sent about how the CDU can

states without compromising

its pre-election rhetoric which

However, as more younger omen in their twenties drift to the Greens, Mr Kohl said it was time to open the doors. The CDU parliamentary group has only 13.9 per cent women, the lowest percentage of any party. The overall average of

the Greens more than a decade

Breakaway republic warns that captured fighters face execution

Chechnya threat to Russian lives

The breakaway Russian republic of Chechnya has threatened to execute the 70 Russian fighters it claimed to have captured in recent skirmishes unless Moscow admits to destabilise President Dzhokhar Dudayev's regime.

The threat will further inflame tensions with Moscow; some western diplomats suggest it could provoke the open hostilities with Russia about which the Chechen authorities have been complaining. President Boris Yeltsin yesterday held an extraordinary meeting of his security council to discuss Chechnya, which declared

three years ago.

Mr Pavel Grachev, defence minister, denied the Russian army had directly supported the Chechen opposition forces, which launched an assault against Grozny, the republic's added that if Russia did intervene "one airborne regiment would be enough to resolve all questions in two hours".

from direct intervention fearing such a move would tarnish its image abroad and threaten to unleash a Chechen terrorist campaign within Russia. But the government has repeatedly urged Chechnya to come back into the fold, and has recognised the provisional council of opposition forces as the republic's rightful government, providing it with moral and financial support.

Chechen officials said 300 opposition troops had been killed and 200 taken prisoner in the latest fighting in Grozny. They said 70 prisoners were serving Russian service men. "If Russia does not recognise these soldiers as prisoners of war they will be tried by the rule]. I will not lift a finger to stop this process," Mr Dudayev said, indicating they could then be executed

Russian officials have denied serving soldiers were involved although they have conceded it vicemen had been hired as mercenaries by the opposition forces. Mr Grachev said that according to his information, mercenaries from the Baltic states, Afghanistan and Russia had been hired by Mr Dudayev.

Mr Ruslan Khasbulatov, the Chechen opposition leader, warned Grozny's population that they might soon be bombed and urged them to evacuate all children although the capital was reported to be quiet yesterday. Mr Khashulatov, the former speaker of the Russian parliament and one of the leaders of the failed uprising against Mr Yeltsin in October 1993, is now being backed by Moscow.

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NEWS: EUROPE

French talks on primary contest

A joint group from France's ruling Gaullist RPR and Union for French Democracy (UDF) coalition parties is due later today to report on the feasibility of holding primary elections to select a single conservative candidate to contest next year's presidential elections, amid signs of falling public support for such a US-style innovation.

According to a Sofres opinion poll, 65 per cent of French believe that the traditional first round vote, to be held next year on April 23, is sufficient to select the final two contestants - usually one from the right and one from the left - for the second-round vote on May 7. Proponents of primaries, notably Mr Charles Pasqua, the interior minister, have argued that the fortnight between the two rounds is not long enough to heal the deep divisions within the right. But, seeing primaries mainly as a device to corral conservatives into backing prime minister Edouard Balladur from the outset, two of the prime minister's opponents, ex-president Valery Giscard d'Estaing, who leads the UDF, and Mr Philippe Séguin, the National Assembly president who is backing Mr Jacques Chirac as the RPR candidate, have come out strongly against special early primaries. David Buchan, Paris

Turkish foreign minister quits

The Turkish foreign minister, Mr Mumtaz Soysal, resigned yesterday over a dispute with prime minister Tansu Ciller on the appointment of his assistant. The Anatolian news agency said Mrs Ciller had accepted the resignation, but the foreign ministry made no announcement. Mr Soysal, a member of the junior coalition partner, the Social Democrat People's party. had resisted appointing Mrs Ciller's hand-picked candidate as his deputy since he was named foreign minister during a cabinet reshuffle in July. Mr Soysal has also clashed with Mrs Ciller on the issue of privatisation and had pushed for an amendment in the anti-terrorism law, which gives officials wide latitude to declare writings and speeches terrorist propaganda. He had expressed his uneasiness over the increasing pressure from the west about Turkey's poor human rights record. "I have been relying on my own reputation, which is not going to last long, to face the charges," Mr Soysal said recently. Mr Soysal, 65, spent more than 14 months in jail in the early 1970s under the military regime on charges of making Communist propaganda, and has been a university lecturer on constitutional law and a deputy president of Amnesty International. His strong nationalist stance won him few friends in foreign capitals. Mr Soysal's resignation came two days before the national security council, a supreme advisory body, was scheduled to discuss the use of Turkish bases by US aircraft enforcing the Iraqi Kurd's "safe haven" in northern Iraq. Mr Soysal has said that the force should leave. He has also been particularly vocal in the row with Greece over territorial waters in the Aegean Sea. AP, Reuter, Ankara

Irish continue coalition search

Ireland's political parties were still in deliberations on the formation of a new government last night, raising fresh doubts on whether tomorrow's meeting of the Irish parliament will be able to resolve the uncertainty and vote in a new administration. The Labour party leader, Mr Dick Spring, the kingmaker in any future coalition, held separate talks with both Fianna Fail, Labour's partners in the outgoing government, and with the main opposition Fine Gael party in an attempt to break the deadlock, following the collapse of the 22-month coalition between Fianna Fail and Labour and the resignation of Mr Albert Reynolds as prime minister. A poll published yesterday suggested 63 per cent of people wanted a new Fianna Fail-Labour coalition. Moreover 49 per cent of those polled wanted Fianna Fail's leader, Mr Bertie Ahern, as prime minister and only 23 per cent supported Mr Spring. The result gives Mr Ahern a strengthened hand in negotiations with Labour. "I don't think we're a hundred miles away from reaching agreement," said Mr Ahern before going into yesterday's talks. to meet again. John Murray Brown, Dublin

Italian terror suspects arrested

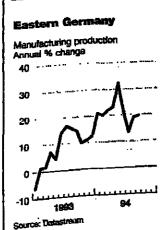
Italian police claim to have made a breakthrough in unmasking Falange Armata, a right-wing group that has claimed responsibility for numerous acts of terrorism over the past five years. This follows the arrest over the past week of three policeman, two of them brothers, stationed in Bologna and the Emilia Romagna region. All three are believed to be linked to some 15 unexplained killings and a series of violent robberies dating back to 1988. A pistol found in the possession of one of the arrested policeman has been matched by firearms experts to the killing of a carabiniere and the murder of a prison educationalist. Police are now checking whether the group was protected within the service and allowed to carry out activities to destabilise Emilia Romagna, the region controlled by the former Communist party. The inquiry could also clarify still unexplained aspects of terrorist attacks in Bologna, including the bombing of Bologna station in 1980 that killed 80 people and left 200 injured. Robert Graham, Rome

Craxi's gold hoard confirmed

The Swiss government confirmed yesterday that 15kg of gold it confiscated from a Geneva safe after an Italian request belonged to former Italian prime minister Bettino Craxi, who was sentenced in absentia earlier this year in Italy to 8½ years in prison for corruption. Mr Craxi, who has refused to return from his villa in Tunisia citing health problems, has consistently denied any links with the gold and said it was part of a politically motivated vendetta. In a written statement issued through his lawyer in Italy, he reiterated those denials. He is the highest-ranked official charged so far in connection with the nignest-ranket official charged so far in connection with the corruption scandals. A former friend of Craxi's, Mr Giorgio Tradati, a businessman, said last month that he transferred about SFr20m (19m) into banks in Switzerland. Mr Tradati claimed that once the corruption inquiry started, Craxi used some of the money to buy the gold upon the advice of an American Express Bank official, to try to cover the trail AP,

ECONOMIC WATCH

East German output increases



ANN VI

East German industrial output rose sharply by 10.7 per cent in September from August and increased by 14.2 per cent compared with a year ago, the German economics ministry reported yesterday. The ministry said the end of the summer holidays was a contributing factor, but several recent studies from leading economists have said the recovery in eastern Germany was "widening". Manufacturing, which bore the brunt of the restructuring over the past five years, rose 16.3 per cent in September from August and 19.6 per cent

year-on-year. Construction output rose by 5.1 per cent in year-ou-year. On August and was up 11.4 per cent from a year September from August and was up 11.4 per cent from a year September those output rose by 15.1 over the same period, earner. White declined by 10 per cent on a year-on-year although it had declined by 10 per cent on a year-on-year

although it had Dempsey, Bonn comparison. Judy Dempsey, Bonn Belgian year-on-year inflation dipped from 2.12 per cent to Beigian year the November, the first time it has been below 2

per cent since December 1988.

The annual growth of Greece's M3 money supply aggregate The annual growth of circle's M3 money supply aggregate decelerated to 9.7 per cent in September from 10.6 per cent in August, and M4 slightly accelerated to 10.7 per cent from 10

Tapie tries to avoid riches to rags ending

The French courts will soon decide the fate of the populist tycoon-politician, writes John Ridding

or Mr Bernard Tapie, → France's populist politician, tycoon and onetime pop star hopeful, it is time to face the music. A spate of legal and financial wrangles accumulated over the past few years are now before the courts. They threaten his political aspirations and could lead to a decline from riches to rags for the French deputy and Euro MP.

The most important ruling is due within the next few days. A Paris commercial court is set to decide whether the remaining indebted companies in Mr Tapie's business empire should be wound up. The case focuses on the financial health of FIBT, the holding company which owns Mr Tapie's home in Paris, on ACT, the management company for his luxury yacht, and on Groupe Bernard Tapie, which controls his commercial interests, principally his weighing machine busi-

nesses and health shop chain. Despite the complexities of the case, Mr Tapie's ordeals have captured public interest. For some, his image as an antiestablishment champion has been fuelled by his clashes with the law courts and Crédit Lyonnais, the state-owned bank which is his principal creditor. As one Paris politics professor puts it: "There is a

Shareholdings (%) Alain Çolas (Yacht Phocéa) de Cavoye (Paris home) Finance ₩ 96.40% 99.95% 99.76% (Weighing) equipment (Health shops)

The Tapie couple's companies

disillusionment with the political class, and a sense that it cannot respond to the big problems of the day such as unemployment. So mavericks like Mr Tapie can play an important political role." His ability to do so is now in

the balance. FIBT and GBT are unlimited liability companies, owned by himself and his wife. Should they be wound up, it could spell bankruptcy for the Tapie couple. And, under French law, bankruptcy would mean that Mr Tapie would be ineligible for elections to public office.

This would present a serious

reverse for Mr Tapie. He has made no secret of his intention to run for mayor of Marseilles in elections next year and bas also indicated that he might take a tilt at presidential polls due next spring. "If there is no one to represent the interests of my supporters then I will do so," he says, referring to the 2.5m who voted for his Radical Energy list in June's European elections, supporting his pro European, anti-racist and full employment ticket.

The ineligibility of Mr Tapie could also hold implications for France's other presidential hopefuls. The 12 per cent of the

European polls presents Mr Tapie as a significant power broker. By running in June, he drew support from the Socialist party, prompting a disastrous result and the ejection of Mr Michel Rocard as its leader. Mr Tapie argues that he should not be blamed for this. Rather, he claims: "They should congratulate me. I rid them of a candidate who was a sure

As for Mr Jacques Delors, the head of the European Commission and widely touted as the Socialist standard-bearer in the presidential elections, the considerations are more complex. According to lfop, the polling institute, Mr Tapie and Mr Delors could complement each other because they draw support from different age and social groups.
In the absence of a Tapie

candidacy, Ifop estimates that only one-third of his supportwould vote for Mr Delors in the first round of the tworound poll. At the same time, the populist businessman could garner support for the left from his electoral strong-holds. "The danger of splitting the vote of the left may not be a problem, particularly if Tapie was to support Delors in the second round," says one political analyst. To Mr Tapie, how-

premature. For amid his complex legal tangles one thing is clear; he is not going to relent without a fight. The match is not over until the whistle goes, and we are not even at half-

vote garnered by his list in the ever, such calculations, are rulings and is suing Crédit Lyonnais on the grounds that it is partly responsible for the management of the companies he controlled. Mr Tapie's prospects may

also be helped by the reluc-

Mr Tapie, fond of football metaphors, is already two goals down, but he insists: 'The match is not over until the whistle goes, and we are not even at half-time'

Mr Tapie, however, has just conceded two goals. Last week, a Paris court ordered him and his wife to pay FFr339m (£40.3m) to Crédit Lyonnais, which funded Mr Tapie's business expansion in the 1980s. In a separate case, the Paris police tribunal ruled that Mr Tapie must repay FFr66.7m to the French customs office because he illegally registered his luxury yacht, the Phocéa,

as a commercial vessel. Mr Taple's rearguard action is based on a host of appeals against his adversaries. "There is no sanction which is not susceptible to appeal," he told L'Express magazine. He is already contesting last week's

time," he says, using one of his frequent football metaphors.

tance of the commercial court to move rapidly to wind up his businesses, partly because of the implications for the hundreds of employees involved and the political sensitivity of unemployment in France.

As a result, a possible outcome is the opening of a pro-cess of judicial redressment for Mr Tapie's companies. This involves an exhaustive study of the possibilities for the rescue or sale of the businesses both of which are described as feasible solutions by Mr Tapie's lawyers. The process can last up to six months, buying time for the embattled businessman. A more aggressive stance by the court, however, would mean that Mr Tapie's time is running out.

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= Sanguinetti wins close Uruguay election

Ex-president's opposition Colorado party edges ahead in country's tightest poll, writes David Pilling

was yesterday declared president-elect of Uruguay, as his Colorado party edged ahead of the governing Blanco party and the left-wing Encuentro Progresista coalithey of tion in the country's closest ever elecmore d

President Luís Alberto Lacalle called Mr Sanguinetti yesterday to congratulate him and invited him to meet to discuss the March 1 transition, the government said.

With more than half of the nearly 2m votes counted, Mr Sanguinetti's Colorado party was only 19,000 votes ahead of the Blancos and 30,000 ahead of Encuentro. The Colorados had 32.5 per cent of the vote, against 31.5 per cent for the Blancos and 30.3 per cent

Mr Sanguinetti himself - one of four Colorado presidential hopefuls in a system that combines primaries with national elections - was on 24.4 per cent, 9 points ahead of his nearest rival from the governing Blanco

Mr Taboré Vázquez, on about 30 per cent, was likely to end up with the most individual votes but will not become president because his Encuentro coalition failed to win at party

The virtual three-way tie, mirrored in parallel congressional elections, will force Mr Sanguinetti to forge a coalition. The need for cross-party accords is likely to slow Uruguay's cautious reform process still further. Mr Sanguinetti, president from 1984

r Julio Maria Sanguinetti to 1989, said yesterday he recognised that the narrowness of his victory would complicate his ability to gov-

> This has been the most hotly disputed election in our history...our political system obliges us to make great efforts to achieve governability and to enable our democracy - as well as guaranteeing freedom - to be effective and functional," Mr Sangui-

> The election, in which Blanco candidates mustered less than a third of the votes, is likely to be seen as a rejection of the current Blanco administration's curtailed reform attempts.

> President Lacalle tried to change the country from an inward-looking welfare state to a more liberal economy competing in the international arena. But his attempts to privatise state corporations, to pull down tariff barriers and to cut social security costs have aroused public suspicion, notwithstanding partial success in bringing down inflation and producing healthy economic growth.

> The very strong showing for Encuentro Progresista, a coalition ranging from social democrats to former Tupamaro guerrillas, is evidence that many Uruguayans place defence of generous social welfare provisions ahead of any desire to adopt the neoliberal policies sweeping across much of Latin America.

Encuentro, which in the early stages of vote-counting seemed close to victory, won easily in Montevideo, the capital, but could not reproduce



that result in the more conservative

from the one he led in 1984. Uruguay was then emerging from 11 years of Mr Sanguinetti, who campaigned on military dictatorship and Mr Sanguia social-democratic platform, will take netti, now at 58 already considered a the reins of a very different Uruguay grand old man of Uruguayan politics, mitment to fiscal rectitude.

saw his main task as re-establishing the country's deep democratic roots.

One of Mr Sanguinetti's principal challenges this time will be to forge a new role for the country within the context of Mercosur, the emerging customs union that will from next January integrate the Uruguayan market with its enormous counterparts in Argentina and Brazil.

During the campaign, Mr Sangulnetti expressed concern at some aspects of regional integration, particularly its potential to expose fragile Uruguayan industry - and jobs - to fierce competition. He has spoken of the need for properly conceived export policies.

Mr Sanguinetti has also criticised the Blancos for allowing the peso to appreciate as part of its inflation-beating strategy. This has led to speculation – denied by Mr Sanguinetti – that he is contemplating a devalua-

The president elect has said that a too-strong currency has been prejudicial to exports and has helped to fuel a trade deficit, expected to be \$900m this year. Mr Sanguinetti may well try to slow the peso's appreciation, though he will have to balance this against efforts to bring inflation down

from its current 40 per cent a year. When Mr Sanguinetti lest office in 1989, inflation was more than 80 per cent a year and the government wa running large budget deficits, leading opposition critics to question his comAMERICAN NEWS DIGEST

US home sales up in October

Sales of existing US homes rose by 0.5 per cent in October, but downward revisions to statistics for earlier months meant that the announcement offered more evidence of a slowdown in the housing market. The National Association of Realfors said sales of existing single family homes rose to a seasonally adjusted annual rate of 3.51m in October from a revised level of 3.89m in September. The figure is, however, a drop from the 3.97m annual rate the association had originally reported for September. The association is predicting sales of existing

homes will reach a total of 3.97m in 1994. Home sales have shown increasing signs of weakness in recent months in response to the Federal Reserve's successive increases in short-term interest rates, which had already pushed average 30-year fixed-interest mortgage rates up by 2 percentage points before the three quarters of a percentage point increase the Fed decided on two weeks ago. George Graham, Washington.

Low-smoke smokescreen?

US cigarette manufacturer R.J. Reynolds Tobacco yesterday appeared to be playing down prospects for the launch of a new type of low-smoke cigarette called Eclipse, saying it did not know if or when the cigarette would be introduced because it

was still being developed. Reynolds, part of RJR Nahisco, the US food and cigarette group, has been testing the cigarette which works by igniting a charcoal element at the end and passing the hot air over tobacco without burning it. A similar non-burning cigarette called Premier, launched by the company in 1988, flopped.

Yesterday Reynolds said testing indicated that Scripse had less tar and nicotine than 95 per cent of cigarettes contently on the market and eliminated 90 per cent of second-hand smoke. Richard Tomkins, New York

Camel court case to go ahead

The US Supreme Court vesterday refused to block a lawsuit accusing R.J. Reynolds Tobacco and two advertising agencies of improperly targeting minors with a Camel cigarette adver-

The lawsuit, filed in California state court in 1992, charged that the promotion featuring a cartoon character called Old Joe Camel seeks to unlawfully make smokers of teenagers. The suit named Reynolds and a unit of the Interpublic Group of Companies and Young & Rubicam, the advertising agencies which helped develop the campaign. Reuter, Washington

Argentina challenger picked

Argentina's opposition Radical party has picked Mr Horacio Massaccesi, governor of Rio Negro province, as its challenger to President Carlos Menem in next May's presidential elections. The Frente Amplio, an opposition coalition, has postponed nominating its presidential candidate for next year's elections, expected to be won convincingly by Mr Menem.

Mr Massaccesi defeated rival Mr Federico Storani by a wide margin, partly as a result of backing from former Radical president Mr Raúl Alfonsin, and from powerful Córdoba governor Mr Eduardo Angeloz.

Mr Massaccesi now faces the task of fortifying a Radical party plagued by poor results in recent elections and riven by internal conflict. "The next step is to create party unity" so that we "can offer Argentinians alternative proposals to official policies of backwardness and social injustice," Mr Massaccesi said in his victory speech. David Pilling,

Senate Republicans start to jockey for position

By Jurek Martin In Washington

The nascent rivalry between two potential Republican presidential candidates - Senators Robert Dole and Phil Gramm - could get an early airing this week as the party begins to choose senior congressional leadership positions.

Mr Dole is certain to be elected majority leader by his peers on Friday but it is far from clear who will be his number two - Senator Alan Simpson of Wyoming or Senator Trent Lott of

While both are conservative, Mr Lott has made no secret of his support for Mr Gramm's candidacy for the Republican nomination and the Senator from Texas has returned the compliment by openly preferring his Mississippi colleague to be Mr Dole's

not shy in expressing, is that if Mr Dole is frequently going to be absent in pursuit of his national ambitions, Mr Lott would be a more effective

Some political observers translate this into the belief that Mr Gramm would urge Mr Lott to undercut the majority leader on key policy issues relevant to the 1996 campaign.

The Dole-Simpson connection is based more on a record of pragmatism, plus a shared reputation for being ascerbic.

Both support abortion rights, unlike many party dogmatists, while the Senator from Wyoming, probably the leading congressional authority on immigration, is less inclined to take the hard line against all immigration currently popular among right-wing

Mr Lott also has some history of accommodating party moderates, both in the Senate and as a House whip in the 1980s.

In a recent interview Mr Lott urged the conservative forces lined up behind Congressman Newt Gingrich. who is due to be elected next Speaker of the House on January 4, "to cool their iets a bit."

But he is also contrasting his "more extensive and personal" relationships with the new House leadership to those of Mr Dole and Mr Simpson. Mr Simpson told the New York Times in typically blunt language

that he was the best candidate to combat what he described as the Republicans' "atavistic desire to clobber themselves when they begin to give each other the saliva test of purity." The new Republican committee

chairmanships in both houses will not be settled until early January. But, over the weekend. Mr Dole pretty much laid to rest flickering specula tion that Senator Jesse Helms of

North Carolina would not take over

the foreign relations committee fol-

lowing his extraordinary attacks on

President Bill Clinton. "If you're going to start knocking down seniority." Mr Dole said, "there's going to be an avalanche." This was taken as a clear warning that any challenge to Mr Helms could lead to conservative attempts to oust party moderates in line for committee chairmanships, such as Senator John Chafee of Rhode Island who is due to take over the environment and public

Democrats also have some close leadership contests to decide. The party's House members must decide the old hierarchy, Congressmen Richard Gephardt and David Bonior.

They are the outgoing majority leader and chief whip and are under challenge for both positions in the new minority from a pair of southern conservatives, Congressmen Charlie Rose of North Carolina and Charles Stenholm from Texas respectively.

A third contest - for chairmanship of the party caucus, pits Congressman Vic Fazio against Kweisi Mfume, now head of the black caucus.

On Friday, Senate Democrats will choose a new minority leader from between senators Tom Daschle of South Dakota and Christopher Dodd of Connecticut

Mr Daschle is the protege of Sen George Mitchell, the outgoing major-

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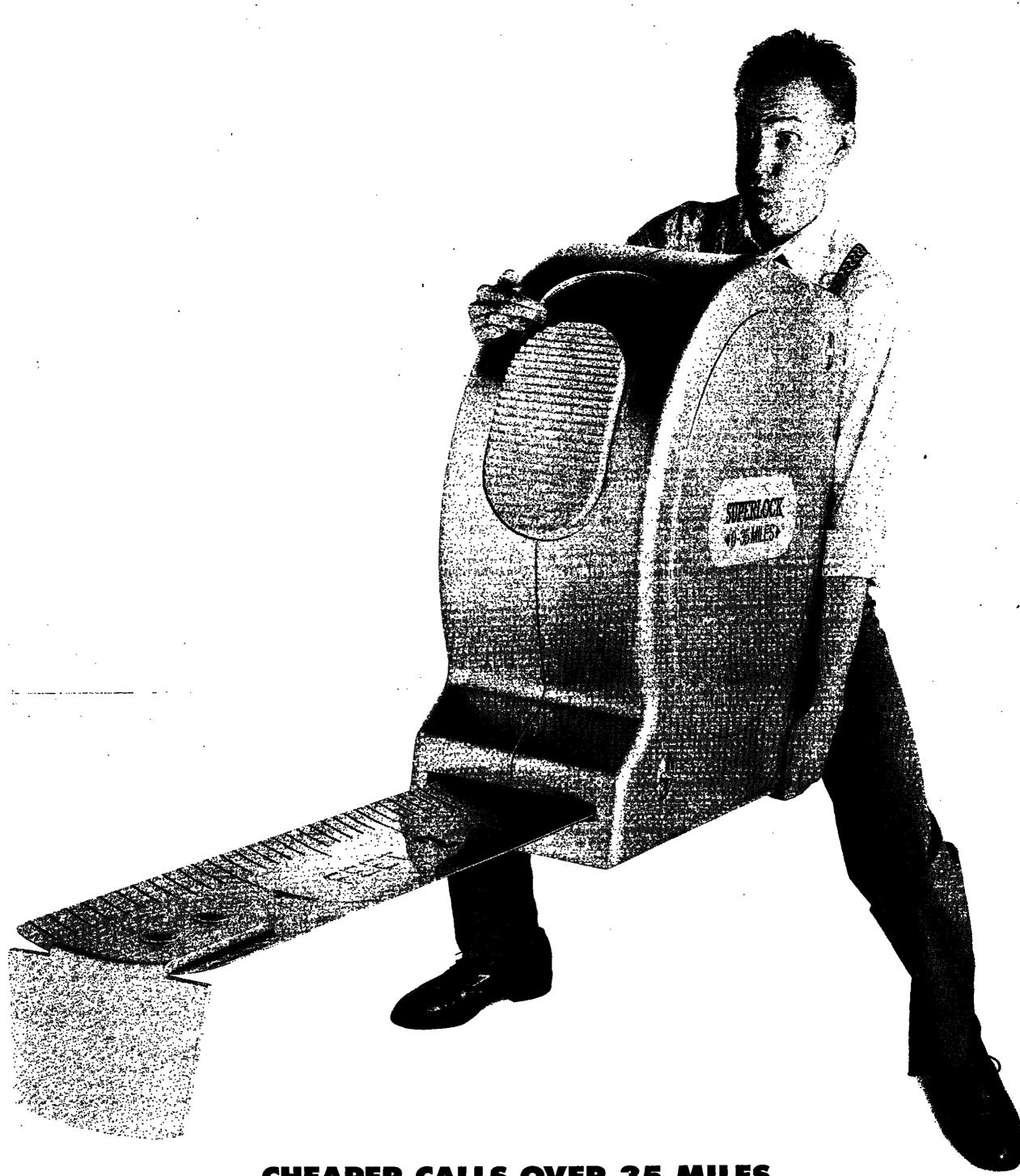
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scheme urged for Rwanda

The presidents of Rwanda and neighbouring Zaire and Burundi called for internationally supervised security zones to be set up in Rwanda to encourage the return of hundreds of thousands of Hutu refugees, Reuter reports from

Zairean President Mobutu Sese Seko, Rwanda's Pasteur Bizimungu and Burundi's Sylvestre Ntibantuganya added that refugees remaining in Zaire would be relocated further from the border with ment read on state television yesterday. "Refugees refusing to return to their country of origin will be moved away from the frontler," it said.

The three men agreed on the need for the zones at a summit on Saturday at Mobutu's northern palace at Ghadolite. It was the latest of several meetings aimed at resolving the crisis caused by an exodus of more than im Rwandans who fled the advancing Rwanda Patriotic Front (RPF) in July.

The new Tutsi-dominated Rwandan government sees the refugees, discouraged from returning by the former Hutu militia leaders, ex-ministers and army chiefs in their midst.

as a serious security threat . Burundi, where there are escalating clashes between local Hutus and Tutsis. believes that an influx of 200,000 Rwandans into its territory is fuelling ethnic hatred.



Zaire, a close ally of the ousted Hutu leaders, is deeply concerned about deteriorating security in the squalid camps along its border with Rwanda Zairean troops shot dead at least 18 people and wounded 70 in the Katale camp on Thursday and Friday after a soldier was killed in a quarrel over a

refugee's car registration.

Zaire on Sunday expelled 37 refugee camp, handing them over to RPF troops at the border in what an official said was a crackdown on crime.

Mr Mobutu, hosting the Gbadolite summit, was quoted as calling the security zone idea a great step forward and saying he hoped it would win interna-

Refugee zones | Thai police bend rule of law

A catalogue of crime has stirred uneasy feelings, writes Victor Mallet

policeman demanding cash from passing motorists in central Bangkok the other day: Thai policemen, unmistakable in their too-tight brown uniforms, routinely engage in roadside extortion

What gave Mr Thammarone Sricharoen away as an impostor and led to his arrest was not his blatant money-grabbing but an incorrect salute to a passing police officer with his left hand instead of his right. He had stolen the uniform. Incidents such as this (Mr

Thammarong's mistake was explained at a news conference by a Thai police chief) have for vears been cheerfully accepted by the majority of Thais. They take it for granted their 170,000-strong police force is corrupt. But a lengthening list of recent murders and other tragedies in which police were implicated has aroused uneasy feelings among even the most cynical Thais, fuelling a debate about the pernicious effects of

corruption. Earlier this year, seven Thai policemen were charged with involvement in the murder of at least nine visitors from Japan, Hong Kong, Taiwan and China; the victims were robbed and shot. In July, a 15-year-old prostitute committed suicide by drinking poison in a police station in the southern town of Hat Yai; she had escaped from a brothel and gone to the police station to seek help, but the police sent her away. All prostitution is illegal in

obody paid much is waging a campaign against visas to Thai migrant workers attention when they saw a 20-year-old paid policemen earn substanto go to Thailand on holiday, depriving Thailand of millions tial sums in "protection money" from brothel-owners of dollars a year in income. Several people connected to for turning a blind eye, and in some cases run brothels themselves. Even if the credibility of the Thai police had been able to survive such scandals. it would surely have been destroyed by recent develop-

the case have meanwhile been murdered in Thailand. The two most recent victims were the wife and child of a jeweller who was an important witness in the case. They were bludgeoned to death, but the police ments in the case of the stolen forensic department initially

The law enforcement branch has broken its last bond with the people,' a Thai columnist says

In 1989 a Thai worker in Saudi Arabia stole \$20m (£12.5m) worth of jewellery from the palace of a Saudi prince. He was arrested after his return to Thailand and the recovered items were proudly displayed by the police.

Saudi gems.

Triumph quickly became farce when the haul was sent back to Saudi Arabia, because most of the returned jewels turned out to be fakes copied from the originals. A police general's wife was seen, and photographed, wearing what appeared to be one of the stolen necklaces, although she and her husband later insisted

this too was a fake. At first the saga was seen in Thailand as something of a joke, since the Saudis were not popular either as employers in their own country or as visitors to Thailand. But the mood has now changed. Saudi

announced, to cries of derision, that they had died in a car accident.

"The law enforcement branch has broken its last bond with the people," wrote Mr Suthichai Yoon, columnist and editor-in-chief of The

Nation newspaper.
The embarrassed Thai government finally acted; two police generals have been charged in connection with the killing of the jeweller's family. and dozens of other police officers are under investigation. Mr Mohammed Said Khoja

the outspoken Saudi charge d'affaires in Bangkok, remains understandably sceptical. He arrived in 1990 on what he thought would be a threemonth mission to resolve the affair and is now in his fifth year in Thailand.

"I'm glad that the public in Thailand are starting to have Thailand, and the government Arabia has stopped granting some sympathy," he said in an

thing can happen in Thailand Today they arrest the generals; tomorrow they will say there is no evidence. The big policemen here have a better life than the prime minister himself."

Many That policemen are so involved in crime, rather than crime prevention, and so dedicated to protecting the rich and powerful, rather than enforcing the law impartially, that it will be hard for any government to make them change their ways.

A recent study by Bangkok's Chulalongkorn University found that some officers pay bribes of up to Baht5m (£125,000) to their superiors to be promoted to lucrative posts enjoying a steady flow of extorted money - in areas with plenty of brothels, for example. But the new wave of popular outrage at the latest police

crimes may start to make life easier for the few senior police officers regarded as honest Maj-Gen Seri Temiyavej, one such crusader, recently arrested one of Thailand's hestknown "godfathers", in connection with an allegedly ille-gal land deal near the coastal

resort of Pattaya. Even if such prosecutions succeed, cleaning up the police force is likely to be a painfully slow process.

"What we've been trying to do is to establish the rule of law," says Mr Chuan Leekpai, the prime minister, "I think the situation will improve as a result of the government's determination, but in the short term it may not be so easy to

Aborigine land fund setback

The Australian Senate, the federal parliament's upper house, yesterday referred the government's contentious Aboriginal land fund legislation to a select committee for forther examination.

The move came despite warnings from Senator Gareth Evans, the government's Senate leader, that this could trigger a "double dissolution", that is, a dissolution of both houses. necessitating fresh elections.

The legislation proposes to establish a A\$1.40n (£680m) land fund by 2004, through a series of government payments over the next 10 years. By using the money to make land purchases, the fund would aim to help dispossessed Aborigines who are unlikely to benefit from last year's Native Title legislation.

The proposed structure of the land fund and the relatively low level of financing have been criticised by some Aboriginal groups. In recent weeks, the Senate, where the government does not have a majority, has made a large number of amendments to the bill. But the government refused to accept these and returned the legislation to the

Yesterday, Senator Evans, Australia's foreign minister, warned the government would treat a select committee reference "as a failure to pass this legislation within the meaning of the Constitution, Section 57". This states that if legisla-



tion passed by the House of Representatives is rejected or obstructed by the Senate twice within certain time limits, Australia's governor general may dissolve both houses simulta-

The notion that the government will seek to call an early election, before the economic outlook clouds, has circulated for some months, and the land fund histus could provide an excuse. But, in issuing his warning, Senator Evans emphasised yesterday that the for an "artificial trigger

Meanwhile. Senator Brian Harradine, an independent whose vote was crucial to securing the committee referral. pointed out that a double disso lution trigger was already in place because of the Senate's

Saudi loses asylum bid

Mr Mohammed Masari, an Saudi Arabia, has come under opponent of the government in Saudi Arabia, is to appeal against a British decision not to grant him political asylum, he said yesterday, Our Foreign

Staff reports.

Mr Masari, who arrived in Britain in April on a Yemeni passport, said he learned last week his application had been

The British government, which values its links with

pressure from Riyadh not to allow Mr Masari to remain. A founder-member of the Committee for the Defence of Legitimate Rights, Mr Masari was imprisoned for six months in Saudi Arabia last year.

On his release from prison, Mr Masari travelled to Yemen, then on to London, where he has made repeated accusations against Saudi Arabia's ruling By Terry Hall in Wellington

Support for New Zealand's Labour party has improved with opinion polls timed to coincide with its annual conference at the weekend showing it with 25 points against the National government's 42.

The change in Labour's fortunes has been dramatic: less than three months ago it came in fifth place in a a by-election in the South Island Selwyn constituency, a seat it nearly won in last year's general elections. The polls suggests that the New

Zealand political scene is set to return to its traditional dominance by its two old established parties.

Labour's resurrection has been partly due to hard work by Ms Helen Clark, the party leader in distancing it from the right wing policies that it followed in government between 1984 and 1990 that caused its eventual landslide defeat. Labour's unity has been helped by the departure of both left and wing ring critics to join other

parties. It recently unveiled populist economic policy featuring higher taxes for the well off, bigger family support payments, industry planning and a

New Zealand Labour party moves up in polls

venture capital fund. However it has also benefited handsomely from the surprise decision of Jim Anderton to step down as leader of the Alliance party, an unusual grouping of left and centre parties. A charismatic former president of the Labour party, Mr Anderton broke away to form his own left wing party in 1988. This was promptly joined by

such disparate policies as monetary

reform and Maori rights and also

The Alliance is now led by an Ms Sandra Lee, who is considered too inexperienced to be able to revive its fortunes. some minor political groups favouring

the Green movement

The fourth political party now repnted in parliament, New Zealand First, led by Maori MP Winston

Mr Anderton's consistent rating as

preferred prime minister helped the

Alliance become the country's second

top polling party. But his resignation

saw the Alliance support drop by 20

per cent to 23 points, its lowest level

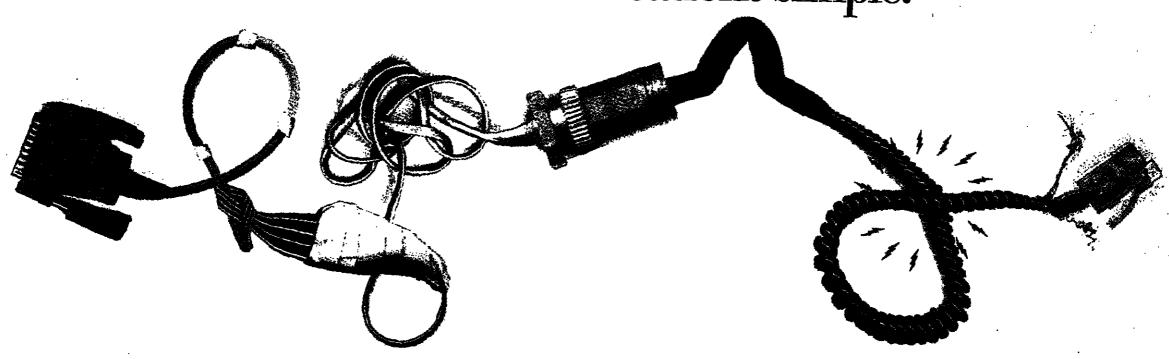
Peters, has slumped badly in public support following a public spat over its finding

mom

However, the advent of a new electoral system, which will reduce the number of electorate seats from 99 to 66, is causing concern among sitting

They believe the reduced number of seats means fewer of them can represent the existing main parties, and many are known to be considering joining or forming new parties, which they calculate will prosper under proportional representation.

Some companies say they're joining forces to make international network communications simple.





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Nationalist party, the Kuomintang, fearing that the

opposition Democratic Progressive party may try to nationalise its vast business empire should it come to power, is consolidating its assets, converting them into more liquid form and investing profits off-

Accustomed to ruling by fist and fiat, the 100-year-old KMT has turned to its extensive business interests to keep its grip on power through the bal-

So far the strategy, while costly, appears to have worked. The KMT is believed to have an edge over the opposition in elections to be held on Saturday. However, the party, which has seen its mandate slip perilously since the lifting of martial law in 1987, is scrambling to protect its riches.

It is coming under increasing pressure to disclose the true extent and origins of its assets. DPP legislators have drafted a law governing the activities of political parties, but the KMT has obstructed attempts to put the draft on the parliamentary

There are a lot of unanswered questions about how the party became so rich and how it started all its businesses," says Professor Lu Ya-li. a political scientist at National Taiwan University. "The party's main concerns right now are to make all the companies private so people will never know how rich the KMT really is, and to move The party is regarded as one of the island's biggest and most diverse industrial conglomerates. Its seven holding

companies have investments in more than 100 enterprises spanning cement, electronics, finance, petrochemicals, telecommunications, construction and trade. The total registered assets of those businesses, of which perhaps a dozen are listed, stood at T\$950bn (£23bn) and net assets at T\$240bm at the end of 1992, the most

recent figures available. "The KMT has managed to gain control of a large part of Taiwan's economy and accumulate a huge amount of party enterprises and assets, and through these can also exert control over domestic politics," says Prof Chen Shih-meng, an economist at National Taiwan University and co-author of Dismantling Party-state Capitalism, published in 1991. "I doubt very much that President Lee Teng-hui is trying to build a true democracy in Taiwan as long as he wants to

hold on to the party's wealth." In the last year, the party has begun to invest offshore, mainly across south-east Asia where it ranks among the biggest foreign investors in Vietnam and Indonesia. It has invested or considered investing in the US, Japan, Hong Kong, Burma, Russia, Paraguay and even China, though through circuitous channels as it officially bans investments in the Chinese mainland.

As democracy threatens to erode the longstanding privileges of KMT enterprises, the

ble on the stock exchange. Last week Fuh-Hwa Securities Finance, whose monopoly on finance for margin share trading is being broken down by deregulation and is one of the

party's biggest earners, went

According to a book just published by the party. The Evolution and Ideals of the Kuomintang of China, the purpose behind listing KMT companies is "so that all the people may share in their success'

Critics say it is so that the KMT can reap while they are still profitable. "Through listing, the party

will be able to cash in assets very quickly and transfer them overseas if necessary," says Prof Chang Ching-hsi, also an economist and the other author of Dismantling Party-state Capitalism. "That way the party can also use its assets more flexibly before elections," he added in a refer-

ence to alleged vote-buying. This weekend voters will for the first time elect mayors for Taipei and Kaohsiung, the island's two largest cities, and a provincial governor in what are the most important polls to date in Taiwan's political reform. Municipal councils and a provincial assembly will also be elected.

A DPP victory would not pose an immediate threat to the KMT's empire. Nonetheless a KMT loss would tilt the baltion in crucial parliamentary

Taiwan's assets offshore, both for eco-party's new policy is to list as elections late next year and long-ruling nomic and political reasons." many of its companies as possi-first ever presidential elections slated for early 1996.

Critics say that the KMT built its empire through its privileged position. The party bought land from the government at a fraction of market value, enjoyed monopoly market positions in certain sectors and preferential access to government contracts, they say.

KMT officials do not deny such charges but counter that party businesses have contributed greatly to Taiwan's economic and cultural development and moreover many of them are marginally profitable or even loss-making.

The advent of democracy has resulted in ever-tighter links among party members, businessmen and politicians. "Party discipline is now a major problem for the KMT. says Prof Lu. "In the old days. party leaders could impose their will on the rank and file but now they must use persua-sion. This has resulted in tradme of favours and widespread corruption."

In addition, says Prof Chen, there are many enterprises that are only partially owned by the KMT "but in fact are completely controlled by the party, not in legal but in practical terms". Once transformation of its

business empire is complete. the KMT should be well positioned to withstand the rigours of democracy. Analysts estimate its annual expenditures at \$200m compared with \$2m for the DPP. The KMT's ability to out-finance the opposition in future elections looks likely to be assured for some time.



President Lee Teng-hui watched over by a portrait of Sun

Australian 'right to strike' row

Australia's federal government was yesterday at loggerheads with the powerful Australian Council of Trade Unions (Actu) over the country's new "right to strike" law, as a 24-hour stoppage by aircraft refuellers and oil tanker drivers in support of a 12 per cent industry-wide pay claim brought chaos to airports. On Friday, the Industrial Relations Commission ruled that by pursuing an industry-wide pay claim the union involved - the Transport Workers Union - was seeking to avoid "enterprise-bargaining", and that its right to strike free from the threat of legal action should be withdrawn. The Labor government yesterday said it supported this stance. But the Actu weighed in behind the TWU, whose appeal against the IRC ruling will be heard today. "If pattern (industry-wide) bargaining is good enough for politicians, judges, members of the IRC and the business sector, then it's good enough for transport workers," said Mr Martin Ferguson, Actu president.

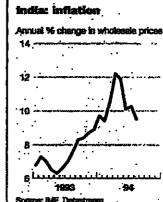
Malaysian politician on trial

A leading member of Malaysia's dominant political party appeared in court yesterday on corruption charges. Mr Abdul Rahlm Tamby Chik, until recently chief minister of the state of Malacca and head of the youth wing of the United Malays National Organisation (Umno), was charged with abuse of power and corruption in relation to land deals in his state. In a case which caused widespread controversy in Malaysia, Mr Rahim was forced to resign from his official posts last month after it had been alleged that he had sexually abused a 15-year-old girl. The attorney general subsequently ruled that although there was a strong suspicion about Mr Rahim in the case there was not enough evidence to bring charges. Mr Rahim had been considered a close ally of Prime Minister Mahathir Mohamad. Kieran Cooke, Kuala Lumpur

Japan-Germany council set up Japan and Germany will proceed with long-delayed plans for a council to promote corporate co-operation in science and technology. Mr Heinrich-Dietrich Dieckmann, German ambassados to Japan, said yesterday the joint council on high technology and environment technology would hold its first meeting in Tokyo on December 12 and 13. William Dawkins, Tokyo

Indian inflation rate is falling

monsoon, the seventh in succession, has helped limit.price



increases. Stefan Wagstyl, New Delhi

The Indian inflation rate is falling, according to data pub-lished this week showing that the annual rate of increase of wholesale prices in the week ending November 12 was 8.89 per cent. The inflation rate is well below its recent peak of 13.7 per cent in 1991-92, when Prime Minister P.V. Nara-simha Rao, launched his economic reforms. It is also comfortably below a recent high of more than 11 per cent in May this year, when the rate of increase was pushed up by rises in prices of government controlled commodities including fertilisers. A good

Economic overheating approaches the danger level

By Laura Tyson in Taipei

Taiwan may be experiencing too much of a good thing as its economy gains speed, the country's planning ministry warned yesterday. The economy showed signs of overheating in October for the second consecutive month, the cabinet's Council for Economic Planning and Development

The council's coloured signal sys-tem for measuring economic health flashed a "yellow-red light", indicat-

ing fast growth but danger that the economy may be overheating. Until September, a yellow-red signal had not been used since August 1989. A green light, meaning steady growth, was posted for nine consecutive months before September.

An October business confidence survey showed 65 per cent of manufacturers taking part believed the economic climate would remain stable for the next three months. unchanged from a month earlier. smen who felt the economy

would improve in the next three months fell from 23 to 21 per cent; those expecting it to worsen climbed from 12 to 14 per cent.

Last week the government's central statistics office said growth in gross national product reached 6.08 per cent in the third quarter of this year, up from 5.62 per cent in the second quarter. The forecast for the fourth quarter was raised to 6.9 per cent from 6.44 per cent, based on strong domestic investment.

The statistics office forecast GNP growth would reach 6.1 per cent in 1994 and 6.52 per cent in 1995. In 1993 Taiwan's GNP rose 6.02 per

• Taiwan's negotiators blamed counterparts from their arch-rival China yesterday for failure of six days of bilateral talks in the eastern Chinese city of Nanjing, Reuter adds. Returning to Taipei's international airport, Mr Shi Hwei-you, Taiwan's chief negotiator, said the Chinese

side had raised new questions that

per former and the second of t

signed. "Both sides in principle agreed on the structure and resolutions for an agreement," said Mr Shi, deputy secretary-general of Taiwan's quasi-official Straits Exchange Foundation (SEF). "But (China's) Association for Rela-

tions Across the Taiwan Straits (ARATS) raised many new questions and that led to the failure of signing a final agreement," the semi-official Central News Agency quoted Mr Shi

We'd like to set the record straight.

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IBM Global Network. Others may offer a "single point of contact"-but if you ask for something like global E-mail, they're likely to tell you their affiliates in Buenos Aires or Budapest aren't on line yet. Assuming they even have affiliates in those places. But the IBM Clobal Network has 5,000 network professionals and provides access to more than 90 countries. Now. So you can get a head start on the high-speed networking that'll make it seem like everyone in your corporation is working in the same office. Questions? Call us in Europe at 33-1-4905-9879. In Asia at 81 3 5644 2225. From Latin America call the U.S. at 813 878-5403. And you'll get some straight answers about international network communications.

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cil have "mixed competence"

of actions, other than reference

to a WTO disputes panel, the

EU might take against alleg-

edly illicit practices, and

whether such actions might

Commission officials insist

that, unlike Section 301, the

proposal does not provide for

unilateral sanctions and say

they would not resort to them.

However, French officials say

the regulation's exact applica-

tion in this and other areas is

Some observers suspect the

Commission may have deliber-

ately left details of the pro-

posal unclear. They say that,

for all Sir Leon Brittan's criti-

cisms of aggressive US trade tactics, his alternative

approach of "quiet diplomacy"

towards Japan has produced

ger market-opening measures.

In its present form, the pro-

posal looks sufficiently tough

to satisfy these demands, with-out committing the Commis-

sion to taking specific actions.

minded opponents think Sir

Leon would not abuse it. But

that is not their main concern.

Says one: "The problem is that

he will not have the job for-

ever, and a more protectionist

successor might have fewer

Even the regulation's liberal-

still under debate.

include unilateral retalistica.

That it is unclear what form

over trade in services.

China spells | Fears grow over EU weapon's safety out views on Gatt timing

By Guy de Jonauières.

China said yesterday that it would offer no new concessions in its eight-year-long negotiations to rejoin the General Agreement on Tariffs and Trade if the talks were not concluded by the end of the year.

However, Beijing said it would continue to participate in negotiations after the deadline until its Gatt status was resumed, if it were asked to do so by the secretariat of Gatt or the World Trade Organisation,

The message was conveyed to Mr Peter Sutherland, Gatt director-general, by Mr Long Yong-tu, Beijing's chief negotiator, who has led a Chinese delegation to Geneva to take part in further membership

Western diplomats said the statement appeared to be a face-saving acknowledgement that it may be impossible to reach an agreement on WTO entry terms by the end of the year, and that China may have no option but to accept an extension. They pointed out that Beijing appeared to have softened its previous line by dropping suggestions that it would walk away from the talks if the year-end deadline

They also said China's insistence that it would not make China an adjustment person offers or seek bilateral after it enters the WTO.

Opponents and supporters of the Uruguay Round global trade pact

vesterday put on a huge advertising campaign and series of media events

before today's vote on the pact in

The vote on the legislation imple-

enting the round is set to pass in

the House, but Thursday's vote in

the Senate is likely to be much

closer. Mr Ralph Nader, the con-

the House of Representatives.

bers after the end of this year need not prevent it from responding to demands by other countries that it make

To the extent that it is not useful to set artificial deadlines, then so much the better." said one US trade official

both told Beijing recently that they would be prepared to con-

However, China has balked at the offer, arguing that it is a device to enable the US to continue spinning out membership negotiations indefinitely. Beijing blames the US for the slow progress of the talks to date. saying that every time China ton asks for more.

The US, under strong pres-sure from American industry, has insisted that China join the a demand which Beijing has strongly rejected. Although the EU agrees with Washington that Beijing still has a long way to go to meet the requirements of the multilateral trading system, it is ready to be more flexible by allowing

Gatt forces, said neither side could

claim enough votes in the Senate,

where 60 are needed for passage.

The battle, conducted when there

is little else in the national news,

received national attention on a par

with the fight over the North Ameri-

can Free Trade Agreement. Oppo-

nents maintained that polls showed

the US public were against the deal.

In an effort to counter the nega-tive messages, supporters, led by

Some see trade proposal turning into unguided missile, says Guy de Jonquières Section 301 trade legislation, which calls its trade barriers required by

the Uruguay Round.

"When your market defences are coming down, it makes sense to switch to the attack," says an official of the Patronat, the French employers' organisation. "The regulation is a can opener. It is not Section 301,

practices not already banned and in areas where WTO rules by Community rules. Though are lacking or incomplete. in existence since 1984, it has has been little used.

The new regulation would entitling individual companies not just EU governments and industry bodies, as at present -

EU government critics, however, are worried by several aspects of the proposed regulamake it more accessible by tion, which they say is not essential to implementation of the Uruguay Round. Their to institute complaints against • That its wording is too



Brittan: stirred up controversy

other countries' trade barriers. vague and could lead to indis-The complaints would be dealt criminate attacks on any trade with by a new committee of practices used by other WTO members, rather than only those which are actionable under WTO rules. For same prompt investigations as

instance, French industry thinks the regulation should be used against countries which permit anti-competitive practices, such as cartels, in their home markets. These currently lie outside the WTO's • That the procedures envisaged could give the Commis-

without consulting closely enough with the Article 113 committee, the body in which the Commission and

renewed That there are uncertainties about how the regulation oil rights would fit with a recent European Court ruling which says the Commission and the Coun-

renew promptly Arabian Oil's drilling rights in oilfields off the Gulf emirate.

Mr Ryutaro Hashimoto, minister of international trade and industry asked Mr Abdulmohsen al-Mudel, the visiting Kuwaiti oil minister, for an early decision to extend the existing contract, due to expire in 2003. Arabian Oil is the only Japanese operator of oilfields in the Middle East, from which Japan buys the bulk of its oil

Growtl

mone i

needs. Reuter, Tokyo Hyundai Precision and Industry, a unit of South Korea's Hyundai Group, has won a contract worth about \$60m to supply electric locomotives and rail coaches to Maiaysia. The deal with the Malaysian government covers the supply of 66 coaches and locomotives by the second half of 1996, Reuter. Secul

■ S Megga International Hold-As a consequence, he faces ings has formed a telecommugrowing pressure from Euronications joint venture with pean industry to adopt stron-China Electronic System and Engineering. Total investment is expected to reach Yn100m (\$11.75m).

The venture, CESEC Teleresponsible for sourcing. installing and maintaining equipment for Global Positioning Systems 800Mhz irunking systems and cellular phone networks in a number of Chinese cities. Reuter, Hong

■ Walt Disney will launch its first overseas pay channel in Taiwan in March, 1995. The 20hour-a-day, seven-day-a-week pey cable family service will feature Disney animation dubbed in Mandarin Chinese and subtitled family films. Disney Channel Taiwan forecasts an initial audience of 1.8m. households in the first year. AFX: Toinei

Japan's Electric Power Development said GEC Alsthom's unit, GEC Alsthom Moteurs, has won a contract to supply two hydroelectric generators for the 8MW Saitsunaigawa river power plant. AFX.

who has accused Washington of using "bilateral bully" tac-**EU** external trade tics to extract trade concessions by force.

on other countries to

open their markets or face the

threat of retaliation, has long

inspired fear and loathing in

Few have spoken out more

loudly than Sir Leon Brittan.

Europe's trade commissioner,

But now Sir Leon has stirred

up controversy by proposing

an EU trade measure which,

according to its opponents and

supporters, could serve many

of the same purposes as Sec-

At issue is the Commission's

plan for a so-called illicit prac-

tices regulation. Submitted to the Council of Ministers

recently as part of the Uruguay

Round implementing legisla-

tion, it aims to streamline

existing EU procedures for tackling other countries' trade

tion differs from Section 301

because it would be used only

to hold other countries to

agreed international rules, not

His reassurances have not.

however, convinced everyone.

explain why the regulation is

not like Section 301, the more

similar it sounds," says a senior official of one of Asia's

most successful exporting

The proposal has divided EU

members. France and most

Mediterranean governments

funds into television, radio and

print. Individual companies - Boe-

ing, Merrill Lynch, and EDS -

entered the fray and trade groups

such as the Grocery Manufacturers

of America called for "a vote of con-

fidence in America's ability to suc-

ceed in a fair world trading sys-

President Clinton held a rally

with supporters, hoping to convince wavering senators. The president

"The more Brussels tries to

on their trade policies.

tion 301 actions

barriers.

critics around the world

about Mr Long's statement. The US and the EU have

sider helping China to fulfil its ambition of becoming a founder member of the WTO by conferring such status on it even if it joined well into next

China an adjustment period

but is in the same spirit."

Such thinking troubles more liberal EU governments. Britain Denmark Germany and the Netherlands fear that the proposal could unleash an unguided missile which might threaten the authority of the new World Trade Organisation.

The proposal is backed by Unice, the European industry federation. However, the BDI, the German employers' body, says it supported the Unice line only out of European solidarity, and has deep reservations about the planned regula-

Formally, the proposal is a revision of the EU's "new comsupport it, saying the EU needs to beef up its negotiating muspermits action against trade

member states and the Commission, and be chaired by the Commission officials say this "third track" would give European exporters the right to the

Exports

158 Imports

EU anti-dumping procedures priced foreign competition. Brussels stresses that the proposal addresses trade practices "incompatible with international law" and would be used primarily to identify cases for adjudication by WTO disputes panels. However, they do not exclude using it against

American agreement designed to

benefit all the American people in

every region of our country and

from every walk of life." Three for-

mer presidents - George Bush, Ger-

ald Ford and Jimmy Carter -

released a letter to the president

calling the pact "a bridge from the

post-war world of half a century ago

to the post-Cold War world which is being forged today".

US factions rally forces for today's Uruguay Round vote waiting for us to pass this agree-

> US trade representative.
> The US Business and Industrial Council, a protectionist business group, placed a large advertisement in the Washington Post listing names of 91 defeated and retiring senators and house members. The Gatt vote will be very close," it said. "This means that the defeated lame duck Congressmen and senators -

ment," said Mr Mickey Kantor, the

lobbyists for special and foreign interests - will get to decide OUR economic future." All weekend CNN ran an adver-

tisement with pigs - designated as members - at a trough. "Some call it a global trade deal, but hidden inside is billions of special interest pork," it says. "Call your senators today and tell them don't butcher the budget. Take the fat out of

find Singapore to their taste. Find out what

The Food and Hotel Asia convention wasn't the only successful one that showcased Singapore as Asia's leading meeting destination. Each month there are new exhibitions, new conferences and new meetings where you can exchange the latest on your industry or products. Not to mention a whole new world of entertainment in the city where the best of the East and West come together. Convention City Singapore. It's definitely food for thought.

you can chew on.

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□ 14-16 February 1995

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□ 19-23 March 1995 Congress 1995

24-26 March 1995 2nd Singapore International

□ 13-18 April 1995 10th Asian-Pacific Optometric 24-26 April 1995

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23-26 March 1995 Golf Asia '95 5-8 April 1995

☐ 6-9 April 1995 Asia Apparel Machinery and Accessories Exhibition Textile Machinery

6-9 April 1995 Boat Asia '95 (Incorporating Dive Expo Asía '95, Marina Asia '95 & Commercial Craft Asia '95')

CONVENTION CITY

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1965-100. Quarterly and monthly data for retail sales **UNITED STATES**

	Miles Within	fachatrini production	(jeusip- loyuusit rate	vale judicator	feating leafcator	Retali sales vylesis		Unessp- loyeest rabs	Manag Ma Indicator	Composite Tending Indicator	enfec Volume	industrial production	Chesp- Ignost . Inte	Yeomicy rate Indicator	Composit Seeding Indicate
1985	100.0	100.0	7,1	100.0	91.3	100.0	100.0	28	100.0	77.2	100.0	100.0	7,1	100.0	89.
1986	105.5	100.8	6.9	98.0	95.3	108.6	99.7	28	94.3	84.4	103.3	102.2	6.4	138.4	89.
1987	108,4	106.0	6.1	105.5	96.3	113.8	103.1	28	108.3	91.8	107.4	102.6	8.2	149.4	90.
1968	112.6	110.7	5.4	106.1	99.8	122.6	113.1	25	136.9	97.2	110.5	106.3	6.2	164.6	95
1989	115.6	112.4	5.2	99.3	98.5	132.5	119.7	2.2	147.0	99.4	114.2	111.4	5.6	218.7	98.
1990	116,4	112.4	5.4	84.6	94.7	141.7	124.5	21	149.8	97.0	123.5	117.2	. 4.8	261.1	98
1991	114.0	110.3	6.6	62.2	99.4	144.6	126.8	21	144.2	94.8	130.6	120.8	42	270.7	95.
1992	117.6	112.9	7.3	60.3	104.0	139.9	119.0	2.1	124.2	94.2	127.7	119.1	4.6	260.2	90
1983	123.8	117.6	6.7	65.2	109.7	131.5	113.6	25	106.6	100.0	122.4	110.8	5.8	198.5	96.
4th ctr.1993	5.7	4.3	6.4	69,4	109.7	-5.0	-42	2.7	103.3	100.0	-5.8				
1st ctr.1994	7.0	5.0	6.5	71.3	110.2	-2.9	-3.0	2.8	101.7	103.2	0.4	-3.1	6.3	180.9	96
2nd atr.1994	6.1	5.8	6.1	74.7	111.4	-2.9 -1.8	-3.0 -1.1	28	102.9	103.2		-0.0	6.5	194.3	. 98
			6.0	75.2	113.9	-1.0		2.0	102.9		-1.9	3.1	6.6	188.4	101
3rd qtr.1994	<u>5.5</u>	6.5					1.6			106.1	-2.6	3.2		194.3	103
November 1993	5.8	4.2	6.4	68.9	108.9	-6.5	-3.2	2.7	111.8	99.3	-5.1	-4.0	6.3	180.1	95.
December	6.0	4.6	6.3	70.7	109.7	-2.5	-3.5	28	99.5	100.0	-8.3	-1.1	6.3	182.6	96.
January 1994	4.4	4.9	8.6	66.7	110.0	-2.0	-2.7	2.7	97.0	100.9	0.4	-1.8	6.4	190.9	96
February	7.0	4.6	6.4	72.9	109.9	-8.7	-4.3	29	97.7	101.9	0.4	1.0	6.5	196.8	97
March	9.7	5.4	6.5	74.3	110.2	-3.1	-2.1	28	110.7	103.2	0.4	0.7	6.5	195.9	98.
April	6.7	5.0	6.4	73.5	110.6	-1.9	-2.0	28	99.5	103.9	-7.9	2.8	6.6	192.6	100
May	5.6	6.0	6.0	76.4	110.7	-3.4	-1.8	28	103.8	104.0	2.6	2.3	8.6	187.6	101.
June	5,8	6.4	5.9	74.1	111.4	-0.1	0.7	2.9	105.1	104.5	-0.2	4.1	8.8	185.9	101.
July	5.0	6.2	6.1	<i>77.2</i>	112.6	-0.2	-0.5	3.0	98.6	105.6	-3.1	6.4	6.5	190.1	102
August	5.6	6.8	6.1	74.9	113.0		3.6	3.0	106.9	106.4	-32	1.7	6.5	193.4	103.
September	5.9	6.6	5.8	73.4	113.9		1.8			106.1	-1.3	1.7		199.3	103.
A-i-6		6.7										1.6		207.6	100.
October														207.0	
	I FRAI					E ITALY	 _	_			E UNIT	ED KI	GDOL		
	Retail	NCE	Unemp	Vacancy	Composito		•		Uasap-	Companie	E UNIT	ED KI		 I	Compositi
			Unseep- loyment sulo	Vacancy rate indicator	Composite leading indicator	E ITALY	ledoutele production		Unamp- loycapak rata	Compaths Intellig Intellig	E UNIT	ED KI	NGDON Unsup- Topment	Vacancy rate	Compositi Serding
1985	Retail sales volume 100.0	Industrial production	10.3	100.0	90.7	Relati gales volume 100.0	production 100.0		10,1334	Companier Intelling Intelligator 88.1	Reself action	industrial.	Unemp- kymest rate	Vacancy rate Indicator	lejdig ledett
1985 1986	Retail sales volume 100.0 102.4	industrial production 100.0 101.1	10.3 10.4	100.0 107.0	90.7 96.6	Reisi salas valuate	production 100.0	ļ	1902 1903 1904 1904 1904 1904 1904 1904 1904 1904	locicator	Retail action volume 100.0	industrial production 100.0	Unemp- loyment sate	Vincency rate Indicator	index indext
1985 1986 1987	Retail sales volume 100.0 102.4 104.5	Industrial production 100.0 101.1 103.1	10.3 10.4 10.5	100.0 107.0 117.2	90.7 96.6 96.3	Relati gales volume 100.0	production 100.0		9.6	88.1 94.0	700.0 100.0 105.3	industrial production 100.0 102.4	Unemp- loyment sate 11.2 11.2	Vincency rate Indicator 190.0 116.1	edicate 90. 93.
1985 1986 1987 1988	Petal sties volume 100.0 102.4 104.5 107.9	Industrial production. 100.0 101.1 103.1 107.3	10.3 10.4 10.5 10.0	100.0 107.0 117.2 135.3	90.7 96.6 96.3 101.4	100.0 108.8	100.0 104.1 106.8		9.6 10.4	88.1	700.0 100.0 105.3 110.7	100.0 102.4 106.5	Unsup- logment sate 11.2 11.2 10.3	Vincency rate Indicator 100.0 116.1 141.2	90. 93. 97.
1985 1986 1987 1988 1988	Fleat stles volume 100.0 102.4 104.5 107.9 109.5	Industrial production 100.0 101.1 103.1 107.3 111.3	10.3 10.4 10.5 10.0 9.4	100.0 107.0 117.2 135.3 180.6	90.7 96.6 96.3 101.4 101.0	100.0 108.8 112.1 107.9 118.8	100.0 104.1 106.8 114.2	ļ	9.6 10.4 10.9	88.1 94.0 95.6 99.6	100.0 105.3 110.7 117.8	100.0 102.4 106.5 111.6	Unemp- legenst sate 11.2 11.2 10.3 8.6	Vacancy rate 200.0 116.1 141.2 143.1	90. 93. 97. 95.
1985 1986 1987 1988 1988 1988	100.0 102.4 104.5 107.9 109.5 110.3	Industrial production 100.0 101.1 103.1 107.3 111.3 112.9	10.3 10.4 10.5 10.0	100.0 107.0 117.2 135.3 160.6 163.2	90.7 96.6 96.3 101.4	100.0 108.8 112.1 107.9	100.0 104.1 106.8 114.2	ļ	9.6 10.4 10.9 10.9	88.1 94.0 95.6 99.6 97.6	100.0 105.3 110.7 117.8 120.1	100.0 102.4 106.5 111.6 114.0	Unemp- legenst sate 11.2 11.2 10.3 8.6 7.2	Vacancy rate halicater 100.0 116.1 141.2 143.1 123.5	90. 93. 97. 95. 93.
1985 1986 1987 1988 1988 1988	Fleat stles volume 100.0 102.4 104.5 107.9 109.5	Industrial production 100.0 101.1 103.1 107.3 111.3	10.3 10.4 10.5 10.0 9.4	100.0 107.0 117.2 135.3 180.6	90.7 96.6 96.3 101.4 101.0	100.0 108.8 112.1 107.9 118.8	100.0 104.1 106.8 114.2 118.7 118.0	1	9.6 10.4 10.9 10.9 10.9	88.1 94.0 95.6 99.6 97.6 94.0	700.0 100.0 105.3 110.7 117.8 120.1 121.1	100.0 102.4 106.5 111.6 114.0 113.7	11.2 11.2 11.2 10.3 8.6 7.2 6.8	Vacancy rate halicator 100.0 118.1 141.2 143.1 123.5 97.2	90. 93. 97. 95. 93. 91.
1985 1986 1987 1988 1988 1988 1990 1991	Read stee volume 100.0 102.4 104.5 107.9 109.5 110.3 110.3 110.5	Industrial production 100.0 101.1 103.1 107.3 111.3 112.9 113.2 113.2	10.3 10.4 10.5 10.0 9.4 8.9	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5	90.7 96.6 96.3 101.4 101.0 95.0	100.0 108.0 108.0 112.1 107.9 118.8 114.4	100.0 104.1 106.8 114.2 118.7 118.0 115.4	1	9.6 10.4 10.9 10.9	88.1 94.0 95.6 99.6 97.6 94.0 96.3	100.0 105.3 110.7 117.8 120.1 121.1 119.6	100.0 102.4 106.5 111.6 114.0 113.7 109.2	Unemployment state 11.2 11.2 10.3 8.6 7.2 6.8 8.8	Vacancy rate halicator 100.0 118.1 141.2 143.1 123.5 97.2 68.2	90. 93. 97. 95. 93. 91.
1985 1986 1987 1988 1988 1989 1990	Read sales volume 100.0 102.4 104.5 107.9 109.5 110.3 110.3	Industrial production 100.0 101.1 103.1 107.3 111.3 112.9 113.2	10.3 10.4 10.5 10.0 9.4 8.9 9.4	100.0 107.0 117.2 135.3 180.6 163.2 128.2	90.7 96.6 96.3 101.4 101.0 95.0 96.0	100.0 108.8 112.1 107.9 118.8 114.4 110.9	100.0 104.1 106.8 114.2 118.7 118.0 115.4	ļ	9.6 10.4 10.9 10.9 10.9 10.9 10.3 9.8	88.1 94.0 95.6 99.6 97.6 94.0	700.0 105.3 110.7 117.8 120.1 121.1 119.6 120.5	100.0 102.4 106.5 111.6 114.0 113.7 109.2 109.0	Unemp- toyment sate: 11.2 11.2 10.3 8.6 7.2 6.8 8.8 9.9	Vacancy rate halicatur 100.0 118.1 141.2 143.1 123.5 97.2 68.2 69.3	90. 93. 97. 95. 93. 91. 95. 99.
1985 1986 1987 1988 1988 1989 1990 1991 1992	Read stee volume 100.0 102.4 104.5 107.9 109.5 110.3 110.3 110.5	Industrial production 100.0 101.1 103.1 107.3 111.3 112.9 113.2 113.2	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5	90.7 96.6 96.3 101.4 101.0 95.0 96.0 94.2	100.0 108.8 112.1 107.9 118.8 114.4 110.9	100.0 104.1 106.8 114.2 118.0 115.4 115.4 115.4	,	9.6 10.4 10.9 10.9 10.3 9.8 9.8 10.2	88.1 94.0 95.5 99.6 97.6 94.0 96.3 93.3 100.9	100.0 105.3 110.7 117.8 120.1 121.1 119.6 120.5 124.6	Industrial production 100.0 102.4 106.5 111.6 114.0 113.7 109.2 109.0 111.3	Unemp- logment star 11.2 11.2 10.3 8.6 7.2 6.8 8.8 9.9 10.3	Vacancy rate halicatur 100.0 118.1 141.2 143.1 123.5 97.2 68.2 69.3 76.3	90. 93. 97. 95. 93. 91. 95. 98.
1985 1986 1987 1988 1988 1988 1989 1991 1992 1993 4th qtr.1993	Read sales volume 100.0 102.4 104.5 107.9 109.5 110.3 110.3 110.5 110.7	Industrial production 100.0 101.1 103.1 107.3 111.3 112.9 113.2 113.2 109.9	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4	100.0 107.0 117.2 135.3 180.6 163.2 128.2 109.5 90.0	90.7 96.6 96.3 101.4 101.0 95.0 96.0 94.2 97.0	100.0 108.8 112.1 107.9 118.8 114.4 110.9 116.8 114.2	100.0 104.1 106.8 114.2 118.0 115.4 115.4 115.4 112.9		9.6 10.4 10.9 10.9 10.3 9.8 9.8 10.2	88.1 94.0 95.6 99.6 97.6 94.0 96.3 93.3 100.9	100.0 105.3 110.7 117.8 120.1 121.1 119.6 120.5 124.6	100.0 102.4 106.5 111.6 114.0 113.7 109.2 109.0 111.3	Unemp- logment sthr 11.2 11.3 8.6 7.2 6.8 8.8 9.9 10.3	Vicaney nte hidester 100.0 116.1 141.2 143.1 123.5 97.2 68.2 69.3 76.3	90. 93. 97. 95. 93. 91. 95. 99. 108.
1985 1986 1987 1988 1989 1990 1991 1992 1993 4th qtr.1993	Read sees volume 100.0 102.4 104.5 107.9 109.5 110.3 110.5 110.7 -0.5	Industrial production 100.0 101.1 107.3 111.3 112.9 113.2 109.9 -1.5	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7	100.0 107.0 117.2 135.3 180.6 163.2 128.2 109.5 90.0	90.7 96.8 96.3 101.4 101.0 95.0 96.0 94.2 97.0 97.0	100.0 108.8 112.1 107.9 118.8 114.4 110.9 116.9	balantal production 100.0 104.1 106.8 114.2 118.7 118.0 115.4 115.4 112.9 -0.3 -0.3		9.8 10.4 10.9 10.9 10.9 10.3 9.8 10.2 10.2	88.1 94.0 95.6 99.6 97.6 94.0 96.3 93.3 100.9	100.0 105.3 110.7 117.8 120.1 121.1 119.6 120.5 124.6 3.8 3.5	100.0 102.4 106.5 111.6 114.0 113.7 109.2 109.0 111.3	Unemployment star 11.2 11.2 10.3 8.6 7.2 6.8 8.9 10.3 10.1 9.9	Vaccency rate helicator 700.0 118.1 141.2 143.1 123.5 97.2 68.2 68.2 68.2 68.3 76.3	90. 93. 97. 95. 93. 91. 95. 98. 106.
1985 1986 1987 1988 1989 1990 1991 1992 1993 \$th qtr.1994 2nd qtr.1994	Read sees volume 100.0 102.4 104.5 107.9 109.5 110.3 110.5 110.7 -0.5 1.3	Industrial production 100.0 101.1 103.1 107.3 111.3 112.9 113.2 113.2 108.9 -1.5 0.4	10.3 10.4 10.5 10.0 9.4 10.4 11.7	100.0 107.0 117.2 135.3 180.6 163.2 128.2 109.5 90.0 80.3 93.6	90.7 96.6 96.3 101.4 101.0 95.0 96.0 94.2 97.0	100.0 108.8 112.1 107.9 118.8 114.4 110.9 116.8 114.2	100.0 104.1 106.8 114.2 118.0 115.4 115.4 115.4 112.9		9.6 10.4 10.9 10.9 10.3 9.8 9.8 10.2	88.1 94.0 95.6 99.6 97.6 94.0 96.3 93.3 100.9	100.0 105.3 110.7 117.8 120.1 121.1 119.6 120.5 124.6 3.8 3.5 3.8	100.0 102.4 106.5 111.6 114.0 113.7 109.2 109.0 111.3 2.8 4.3 6.0	Unemp- logment sette 11.2 10.3 8.6 7.2 6.8 8.8 9.9 10.3	Vaccomy reference of the control of	90. 93. 97. 95. 93. 91. 95. 98. 106. 106.
1985 1986 1987 1988 1989 1990 1991 1992 1983 4th qtr.1994 2nd qtr.1994 3rd qtr.1994	Read steps volume 100.0 102.4 104.5 107.9 110.3 110.5 110.7 -0.5 1.3 -1.2 1.4	Industrial production production 100.0 101.1 103.1 107.3 111.3 112.2 113.2 109.9 -1.5 0.4 3.8 4.9	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.8 12.5 12.6 12.6	100.0 107.0 117.2 135.3 180.6 163.2 128.2 109.5 90.0 80.3 93.6 110.6 109.0	90.7 96.8 96.3 101.4 101.0 95.0 96.0 94.2 97.0 97.0 99.9 101.7 102.0	100.0 108.8 112.1 107.9 118.8 114.4 110.9 116.9 114.2 -6.9	100.0 104.1 106.8 114.2 118.7 118.0 115.4 115.4 112.9 -0.3 -0.8 8.8		9.8 10.4 10.9 10.9 10.3 9.8 10.2 10.7 11.7 12.5	88.1 94.0 95.6 99.6 97.6 94.0 96.3 93.3 100.9 100.9 102.2 101.7	100.0 105.3 110.7 117.8 120.1 121.1 119.6 120.5 124.6 3.8 3.5	100.0 102.4 106.5 111.6 114.0 113.7 109.2 109.0 111.3 2.8 4.3 6.0 5.9	Unemphyment enter 11.2 10.3 8.6 9.5	Vaccency rate helicator 700.0 118.1 141.2 143.1 123.5 97.2 68.2 68.2 68.2 68.3 76.3	90. 93. 97. 95. 93. 91.
1985 1986 1987 1988 1989 1990 1991 1992 1993 18t qtr.1994 3rd qtr.1994 3rd qtr.1994	Real steps wips wips wips wips wips wips wips wi	100.0 101.1 107.3 111.3 113.2 113.2 108.9 -1.5 0.4 3.8 4.9	10.3 10.4 10.5 10.0 9.4 10.4 11.7 12.3 12.5 12.6	100.0 107.0 117.2 185.3 180.6 163.2 128.2 109.5 90.5 90.5 110.6 109.0 79.6	90.7 96.6 96.3 101.4 101.0 96.0 96.0 94.2 97.0 99.9 101.7 102.0	100.0 108.8 112.1 107.9 118.8 114.4 110.9 116.9 -5.7	100.0 104.1 106.8 114.2 118.0 115.4 115.4 115.4 112.9 -0.3 -0.9 8.8		9.6 10.4 10.9 10.9 10.3 9.8 9.8 10.2 10.7 11.7 12.5	88.1 94.0 95.6 99.6 97.6 94.0 96.3 93.3 100.9 100.9 100.2 101.7	100.0 105.3 110.7 117.8 120.1 121.1 119.6 120.5 124.6 3.8 3.5 3.8 3.5	100.0 102.4 108.5 111.6 114.0 113.7 109.2 109.0 111.3 2.8 4.3 6.0 5.9	Unemphyment 11.2 11.2 11.2 10.3 8.6 7.2 6.8 8.9 10.3 10.1 9.6 9.5	Vaccomy reference of the control of	90. 93. 97. 95. 93. 91. 95. 98. 106. 106.
1985 1986 1987 1988 1989 1990 1991 1992 1993 4th qir.1994 2nd qir.1994 3rd qir.1994 8rd qir.1994 November 1993	100.0 102.4 104.5 107.9 109.5 110.3 110.5 110.5 1.3 -1.2 1.4 2.0	MCE Industrial production 100.0 101.1 107.3 111.3 112.2 113.2 108.9 -1.5 0.4 3.8 4.9	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 12.5 12.6 12.8	100.0 107.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0 80.3 93.6 110.6 110.0 73.6 77.5	90.7 96.8 96.3 101.4 101.0 95.0 96.2 97.0 97.0 99.9 101.7 102.0 96.2 97.0	100.0 106.8 112.1 107.9 118.8 114.4 110.9 116.9 114.2 -6.9 -5.7	100.0 104.1 106.8 114.2 118.7 118.0 115.4 115.4 112.9 -0.3 -0.9 5.0 8.8		9.6 10.4 10.9 10.9 10.3 9.8 10.2 10.7 11.7 12.5	88.1 94.0 95.6 99.6 97.8 94.0 96.3 93.3 100.9 102.2 101.7	100.0 105.3 110.7 117.8 120.1 121.1 121.1 129.5 124.6 3.8 3.5 3.8 3.5	100.0 102.4 100.5 111.6 114.0 113.7 109.2 109.0 111.3 2.8 4.3 6.0 5.9	Unung- legement state 11.2 11.2 10.3 8.9 7.2 6.8 8.8 9.9 10.3 10.1 9.9 9.6 9.5 10.1	Vaccany rate 100.0 116.1 141.2 143.1 123.5 97.2 68.2 69.3 76.3 32.6 84.6 68.0 96.9	90. 93. 97. 95. 93. 91. 95. 98. 106. 108. 109.
1985 1986 1987 1988 1989 1990 1991 1992 1993 4th qtr.1994 2nd qtr.1994 3nd qtr.1994 November 1993 December	100.0 102.4 104.5 107.9 109.5 110.3 110.5 110.7 -0.5 1.2 1.4 2.0 -0.6	Industrial production production 100.0 101.1 103.1 107.3 111.3 112.9 113.2 108.9 -1.5 0.4 4.9 -0.1 0.0 1.3	10.3 10.4 10.5 10.0 9.4 10.4 11.7 12.5 12.6 12.8	100.0 107.0 117.2 135.3 180.6 163.2 128.2 109.5 90.0 80.3 93.6 110.6 109.0 77.6 77.6 82.5	90.7 96.8 96.3 101.4 101.0 95.0 96.0 97.0 97.0 97.0 97.0 97.0 96.2 97.7	700.0 108.8 112.1 107.8 118.8 114.4 110.9 116.9 114.2 -6.9 -5.7	100.0 104.1 106.8 114.2 118.0 115.4 115.4 115.4 112.9 -0.3 -0.9 8.8		9.8 10.4 10.9 10.9 10.9 10.3 9.8 9.8 10.2 10.7 11.7 12.5	88.1 94.0 95.6 99.6 97.0 98.3 100.9 102.2 101.7	3.8 3.5 3.8 4.2 3.9 3.8 3.5	100.0 102.4 108.5 111.6 114.0 113.7 109.0 111.3 2.8 4.3 6.0 5.9	Unemployment safe 11.2 11.2 10.3 8.6 7.2 6.8 9.9 10.3 10.1 9.6 9.5 10.1 9.0 10.0	Vaccency mile ballotte 1700.0 118.1 141.2 143.1 123.5 97.2 68.2 69.3 76.3 82.6 84.6 96.9 96.9 83.5	90. 93. 97. 95. 93. 91. 96. 106. 108. 109. 110.
1965 1986 1987 1988 1989 1990 1991 1992 1993 4th qtr.1994 2nd qtr.1994 2nd qtr.1994 3nd qtr.1994 November 1993 December	100.0 102.4 104.5 107.9 109.5 110.3 110.5 110.7 -0.5 1.3 -1.2 1.4 2.0 -0.8 0.7 1.3	100.0 101.1 107.3 111.3 112.2 113.2 108.9 -1.5 0.4 3.8 -0.1 0.0 1.3 -0.1	10.3 10.4 10.5 10.0 9.4 10.7 12.3 12.5 12.6 12.8	100.0 107.0 117.2 135.3 180.6 163.2 128.2 109.5 90.0 80.3 93.6 110.6 109.0 77.5 82.5 95.1	90.7 90.8 96.3 101.4 101.0 96.0 96.0 97.0 97.0 97.0 97.0 97.0 97.0 97.0 98.8	100.0 106.8 112.1 107.9 118.8 114.4 110.9 116.9 -5.7	100.0 104.1 106.8 114.2 118.7 118.0 115.4 115.4 115.4 115.9 -0.3 -0.9 5.0 8.8		9.8 10.4 10.9 10.9 10.9 10.3 9.8 9.8 10.2 10.7 11.7 12.5	884.0 95.8 99.6 97.8 97.8 97.8 97.8 97.9 100.9 100.9 100.9 101.7	100.0 106.3 110.7 117.8 120.1 129.5 124.6 3.8 3.5 3.5 3.8 4.2 3.9 2.8	100.0 102.4 106.5 111.6 114.0 113.7 109.2 109.0 111.3 2.8 4.3 6.0 5.9 3.2 4.5	Unung- legement state 11.2 11.2 10.3 8.9 7.2 6.8 8.8 9.9 10.3 10.1 9.9 9.6 9.5 10.1	Vaccency man hadicator 100.0 118.1 141.2 143.1 123.5 97.2 68.2 69.3 82.6 84.6 89.0 96.9 83.5 53.7	90. 93. 97. 95. 93. 91. 95. 98. 106. 106. 109. 110.
1985 1986 1987 1988 1989 1990 1991 1992 1993 4th qtr.1994 2nd qtr.1994 3rd qtr.1994 3rd qtr.1994 Secumber 1993 December 1994 February	100.0 102.4 104.5 107.9 109.5 110.3 110.5 110.5 1.3 -1.2 1.4 2.0 0.7	100.0 101.1 103.3 111.3 112.2 113.2 108.9 -1.5 0.4 3.8 4.9 -0.1	10.3 10.4 10.5 10.0 9.4 10.7 12.8 12.5 12.6 12.4 12.4 12.5 12.5 12.8	100.0 107.0 117.2 185.3 180.6 163.2 128.2 109.5 110.6 109.0 77.5 82.5 92.5 93.5	90.7 96.3 101.4 101.0 96.0 95.0 97.0 97.0 99.9 101.7 102.0 97.0 97.7 98.9 97.7 98.9	100.0 106.8 112.1 107.9 118.8 114.4 110.9 116.9 114.2 -6.9 -5.7	100.0 104.1 106.8 114.2 118.7 118.0 115.4 115.4 115.9 -0.3 -0.9 5.0 8.8 -1.4 1.9 -3.5 -0.2		9.8 10.4 10.9 10.9 10.9 10.9 10.9 10.2 10.7 11.7 12.5 10.2 10.7 11.7	88.1 94.0 95.6 99.6 97.8 94.0 96.3 100.9 100.9 101.5 102.2	100.0 105.3 110.7 117.8 120.1 121.1 121.1 129.5 124.5 3.8 3.5 3.8 3.5 3.8 3.5 3.8 3.5	100.0 102.4 100.5 111.6 114.0 113.7 109.2 109.0 111.3 2.8 4.3 6.0 5.9 3.2 4.5 4.4	Unemployment safe 11.2 11.2 10.3 8.6 7.2 6.8 9.9 10.3 10.1 9.6 9.5 10.1 9.0 10.0	Vectory rate indicator 190.0 116.1 141.2 143.1 123.5 97.2 68.2 69.3 76.3 82.6 84.6 89.0 96.9 83.5 83.5 83.5 83.4 4	90. 93. 97. 95. 93. 91. 95. 106. 108. 109. 110.
1985 1986 1987 1988 1989 1990 1991 1992 1993 4th qtr.1994 2nd qtr.1994 2nd qtr.1994 3nd qtr.1994 November January 1984 Rebruary March April	100.0 102.4 104.5 107.9 109.5 110.3 110.3 110.5 110.7 -0.5 1.3 -1.2 2.0 -0.6 0.7 1.3 2.0 -0.8	Industrial production production production 100.0 101.1 103.1 107.3 111.3 112.2 113.2 109.9 -1.5 0.4 3.8 4.9 -0.1 0.0 0.3 -0.8 0.6 3.6	10.3 10.4 10.5 10.0 8.9 9.4 10.4 11.7 12.8 12.5 12.6 12.8 12.5 12.5 12.5 12.6	100.0 107.0 117.2 155.3 160.6 163.2 128.2 109.5 90.0 80.3 93.6 110.6 109.0 79.6 95.1 101.3 101.6	90.7 96.8 96.3 101.4 101.0 95.0 96.0 97.0 97.0 97.0 97.0 98.2 97.7 102.0 97.7 98.8 98.8 91.3	100.0 108.8 112.1 107.9 118.8 114.4 110.9 114.9 -5.7 -5.4 -9.8 -6.3 -8.8 -2.3 -10.5	100.0 104.1 106.8 114.2 118.0 115.4 115.4 115.4 115.4 112.9 -0.3 -0.9 8.8		9.8 10.4 10.9 10.9 10.9 10.9 10.2 10.2 10.7 12.5 n.a. n.a. n.a.	88.1 94.0 95.5 99.6 97.8 94.0 98.3 100.9 100.9 101.7 101.7 100.4 100.5 102.0 102.0 102.0	3.8 3.5 3.8 3.5 3.8 3.5 3.8 3.5 3.8 3.5	100.0 102.4 108.5 111.6 114.7 109.2 109.0 111.3 2.8 4.3 6.0 5.9 3.3 3.2 4.5 4.0 4.4	Otempologometric state 11.2 11.2 11.3 8.6 7.2 6.8 8.8 9.9 10.3 10.1 9.9 9.5 10.1 9.9	Vecaney radio and color of the	90. 93. 95. 95. 95. 95. 95. 96. 106. 108. 109. 106. 108. 109.
1985 1986 1987 1988 1989 1990 1991 1992 1891 1993 1st qtr.1994 2nd qtr.1994 2nd qtr.1994 3nd qtr.1994 November 1993 December January 1984 February March Lord	100.0 102.4 104.5 107.9 109.5 110.3 110.5 110.5 1.3 -1.2 1.4 2.0 -0.8 0.7 1.3 2.0 -0.8	100.0 101.1 107.3 111.3 112.2 108.2 108.4 4.9 -0.1 0.0 1.3 -0.6 3.6 3.9	10.3 10.4 10.5 10.0 8.4 8.9 9.4 11.7 12.3 12.5 12.6 12.8 12.4 12.4 12.5 12.8 12.8 12.8	100.0 107.0 117.2 185.3 180.8 163.2 128.2 109.5 90.0 80.3 93.6 110.6 109.0 77.5 82.5 110.3 113.6 103.3 113.6	90.7 96.8 96.3 101.4 101.0 96.0 96.0 97.0 97.0 97.0 97.0 98.8 101.7 98.6 98.9 101.3	100.0 106.8 112.1 107.9 118.8 114.4 110.9 116.9 114.2 -6.9 -5.7	100.0 104.1 106.8 114.2 118.7 118.0 115.4 115.4 115.4 112.9 -0.3 -0.9 5.0 8.8		9.8 10.4 10.9 10.9 10.9 10.9 10.3 9.8 9.8 10.2 10.7 11.7 12.5 n.a. n.a. n.a. n.a.	884.0 95.8 99.6 97.8 97.8 97.8 97.8 97.8 98.3 100.9 102.2 101.7	100.0 105.3 110.7 117.8 120.1 121.1 119.6 120.5 124.6 3.8 3.5 3.5 3.8 3.5 3.5 3.7 4.2 3.9 2.8 3.7	100.0 102.4 100.5 111.6 114.0 113.7 109.2 109.0 111.3 2.8 4.3 6.0 5.9 3.2 4.5 4.4	Unun- legement state 11.2 11.2 10.3 8.6 7.2 6.8 8.8 9.9 10.3 10.1 9.9 8.6 9.5 10.1 9.9 10.0 9.9 10.0	Vaccinity (190.0) 118.1 141.2 143.1 123.5 97.2 68.3 76.3 82.6 84.6 89.0 96.9 83.5 83.7 84.4 84.5 84.5 87.4	900 93 97 95 95 93 95 95 95 108 108 108 107 108 108
1985 1986 1987 1988 1989 1990 1991 1992 1943 18t qtr.1994 2nd qt.1994 2nd qt.199	100.0 102.4 104.5 107.8 109.5 110.3 110.3 110.5 110.7 -0.5 1.3 -1.2 1.4 2.0 -0.6 0.7 1.3 2.0 -0.8 3.1 2.0 -0.8 3.2 3.2 3.2 3.2	Industrial production production 100.0 101.1 103.1 107.3 111.3 112.9 113.2 108.9 -1.5 0.4 3.8 4.9 -0.1 0.0 0.6 3.6 3.9 3.9	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 12.5 12.6 12.8 12.4 12.5 12.5 12.6 12.6 12.6 12.7	100.0 107.0 117.2 185.3 163.2 128.5 199.5 199.0 80.3 93.6 110.6 109.0 77.6 82.5 95.1 103.3 113.6 109.8	90.7 90.8 96.3 101.4 101.0 95.0 94.2 97.0 97.0 97.0 96.2 97.7 96.2 97.7 98.9 101.3 102.0	100.0 108.8 112.1 107.9 118.8 114.4 110.9 114.9 -5.7 -5.4 -9.8 -6.3 -8.8 -2.3 -10.5	100.0 104.1 106.8 114.2 118.7 118.0 115.4 115.4 115.4 115.9 -0.3 -0.9 5.0 8.8 -1.4 1.9 -3.5 -0.2 1.9 -0.3		9.8 10.4 10.9 10.9 10.9 10.9 10.2 10.7 12.5 10.2 11.7 12.5	88.1 94.0 95.5 99.6 97.8 94.0 98.3 100.9 100.9 101.7 101.7 100.4 100.5 102.0 102.0 102.0	100.0 105.3 110.5 117.8 120.1 121.1 129.5 124.6 3.8 3.5 3.8 3.5 3.8 3.5 3.8 3.5 3.8 3.5 3.8 3.5	100.0 102.4 108.5 111.6 114.7 109.2 109.0 111.3 2.8 4.3 6.0 5.9 3.3 3.2 4.5 4.0 4.4	Ununpleyment sate 11.2 11.2 10.3 8.6 7.2 6.8 9.9 10.3 10.1 9.6 9.5 10.0 9.5 10.0 9.5 9.6 9.5 9.8 9.8	100.0 116.1 141.2 143.1 123.5 97.2 68.2 69.3 76.3 82.6 84.6 84.6 84.6 84.6 84.6 84.6 84.6 84	900 93 97 95 93 93 95 95 95 106 108 107 106 108 108 108
1985 1986 1987 1988 1989 1990 1991 1992 1993 4th qtr.1994 1994 3rd qtr.1994 3rd qtr.1994 November 1993 December January 1994 February March April May	100.0 102.4 104.5 107.9 109.5 110.3 110.3 110.5 110.7 -0.5 1.3 -1.2 1.4 2.0 -0.8 0.7 1.3 2.0 -0.8 3.1 -2.7	100.0 101.1 107.3 117.3 113.2 113.2 113.2 108.9 -1.5 0.4 3.8 4.9 -0.1 0.0 0.6 3.9 3.9 3.9	10.3 10.4 10.5 10.0 9.4 8.9 9.4 11.7 12.3 12.5 12.6 12.6 12.5 12.6 12.5 12.6 12.6 12.6 12.6 12.6 12.6 12.6 12.6	100.0 107.0 117.2 185.3 180.6 163.2 128.2 109.5 90.0 80.3 83.6 110.0 79.6 95.1 103.3 113.6 108.8 108.8 108.8 108.8	90.7 90.8 96.3 101.4 101.0 96.0 97.0 97.0 97.0 97.0 96.2 97.0 96.2 97.7 102.0 101.7 102.0 101.7 102.0	100.0 108.8 112.1 107.9 118.8 114.4 110.9 114.9 -5.7 -5.4 -9.8 -6.3 -8.8 -2.3 -10.5	100.0 104.1 106.8 114.2 118.7 118.0 115.4 115.4 115.9 -0.3 -0.9 5.0 8.8 -1.4 1.9 -3.5 -0.2 1.0 6.9 8.8		9.8 10.9 10.9 10.9 10.9 10.3 9.8 9.8 9.8 10.2 10.7 11.7 12.5 10.2 10.7 11.7 12.5	884.0 95.8 99.6 97.8 97.8 97.8 97.8 97.8 98.3 100.9 102.2 101.7	3.8 3.5 3.5 3.5 3.5 3.6 3.5 3.5 3.5 3.5 3.5 3.5 3.5 3.5 3.5 3.5	100.0 102.4 106.5 111.6 114.0 113.7 109.2 109.0 111.3 2.8 4.3 6.9 3.2 4.5 4.0 4.4 6.2 5.3	Unun- leyment sate 11.2 11.2 10.3 8.9 7.2 6.8 8.9 10.3 10.1 9.9 9.6 9.5 10.0 9.9 9.8 9.8 9.6 9.8	Vaccency rate indicator 150.0 116.1 141.2 143.1 123.5 97.3 82.6 84.6 89.0 96.9 83.5 83.7 84.4 84.5 84.8 87.4 88.2 91.3	90. 97. 95. 95. 93. 97. 95. 99. 106. 108. 108. 108. 108. 108. 108.
1985 1986 1987 1988 1989 1990 1991 1992 1993 4th qtr.1994 2nd qtr.1994 2nd qtr.1994 3nd qtr.1994 November 1993 December January 1994 February March August	100.0 102.4 104.5 107.9 109.5 110.3 110.5 110.5 1.3 -1.2 1.4 2.0 -0.6 0.7 1.3 2.0 -0.8 0.7 1.3 2.0 -0.8 0.7 1.3 2.0 -0.8 0.7 1.3 2.0 -0.8 0.3 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0	100.0 101.1 107.3 111.3 112.2 108.9 -1.5 0.4 3.8 4.9 3.6 3.6 3.9 4.9	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 12.6 12.6 12.8 12.6 12.8 12.6 12.6 12.6 12.6	100.0 107.0 117.2 135.3 160.8 163.2 128.2 109.5 90.0 80.3 93.6 110.6 109.0 77.5 82.5 110.8 108.3 113.8 108.3 108.3	90.7 96.3 101.4 101.0 96.0 96.0 97.0 97.0 97.0 97.0 97.0 97.0 97.0 97	100.0 108.8 112.1 107.9 118.8 114.4 110.9 114.9 -5.7 -5.4 -9.8 -6.3 -8.8 -2.3 -10.5	100.0 104.1 106.8 114.2 118.7 118.0 115.4 115.4 115.4 115.9 -0.3 -0.9 5.0 8.8 -1.4 1.9 -3.5 -0.9 6.9 2.8 6.9 2.8 6.9 2.8 6.9 2.8 6.9 2.8 6.9 2.8 6.9 2.8 6.9 2.8 6.9 6.9 6.9 6.9 6.9 6.9 6.9 6.9 6.9 6.9		9.8 10.4 10.9 10.9 10.9 10.3 9.8 9.8 10.2 11.7 12.5 10.7 11.7 12.5	884.0 95.8 99.6 97.8 97.8 97.8 97.8 97.8 98.3 100.9 102.2 101.7	100.0 105.3 110.5 117.8 120.1 121.1 129.5 124.6 3.8 3.5 3.8 3.5 3.8 3.5 3.8 3.5 3.8 3.5 3.8 3.5	100.0 102.4 108.5 111.6 114.7 109.2	Ununployment 11.2 11.2 11.2 11.3 8.6 7.2 6.8 8.8 9.9 10.3 10.1 9.9 9.5 10.0 9.9 9.6 9.6 9.6	Vaccinity of the control of the cont	903. 97. 95. 93. 97. 95. 98. 108. 108. 109. 110. 108. 108. 108. 108. 108. 108.
1985 1986 1987 1988 1988 1989 1990 1991 1992 1993 4th qtr.1994 2nd qtr.1994 3rd qtr.1994 3rd qtr.1994 3rd qtr.1994 Geomber 1993 December 1993 December 1993 December 1994 February March April May August September	100.0 102.4 104.5 107.9 109.5 110.3 110.3 110.5 110.7 -0.5 1.3 -1.2 1.4 2.0 -0.8 0.7 1.3 2.0 -0.8 3.1 -2.7	100.0 101.1 107.3 117.3 113.2 113.2 113.2 108.9 -1.5 0.4 3.8 4.9 -0.1 0.0 0.6 3.9 3.9 3.9	10.3 10.4 10.5 10.0 9.4 8.9 9.4 11.7 12.3 12.5 12.6 12.6 12.5 12.6 12.5 12.6 12.6 12.6 12.6 12.6 12.6 12.6 12.6	100.0 107.0 117.2 185.3 180.6 163.2 128.2 109.5 90.0 80.3 83.6 110.0 79.6 95.1 103.3 113.6 108.8 108.8 108.8 108.8	90.7 90.8 96.3 101.4 101.0 96.0 97.0 97.0 97.0 97.0 96.2 97.0 96.2 97.7 102.0 101.7 102.0 101.7 102.0	100.0 108.8 112.1 107.9 118.8 114.4 110.9 114.9 -5.7 -5.4 -9.8 -6.3 -8.8 -2.3 -10.5	100.0 104.1 106.8 114.2 118.7 118.0 115.4 115.4 115.9 -0.3 -0.9 5.0 8.8 -1.4 1.9 -3.5 -0.2 1.0 6.9 8.8	1	9.8 10.4 10.9 10.9 10.9 10.9 10.2 10.7 12.5 10.7 12.5 10.2 10.7 12.5	884.0 95.8 99.6 97.8 97.8 97.8 97.8 97.8 98.3 100.9 102.2 101.7	3.8 3.5 3.5 3.5 3.5 3.6 3.5 3.5 3.5 3.5 3.5 3.5 3.5 3.5 3.5 3.5	100.0 102.4 106.5 111.6 114.0 113.7 109.2 109.0 111.3 2.8 4.3 6.9 3.2 4.5 4.0 4.4 6.2 5.3 6.4 5.5 5.5	Ununpleyment 11.2 11.2 11.2 11.3 8.6 7.2 6.8 8.8 9.9 10.3 10.1 9.9 9.6 9.6 9.6 9.6 9.6	**************************************	90.93.97.955.983.91.295.108.108.1108.1108.1108.1108.1108.1108.
	100.0 102.4 104.5 107.9 109.5 110.3 110.5 110.5 1.3 -1.2 1.4 2.0 -0.6 0.7 1.3 2.0 -0.8 0.7 1.3 2.0 -0.8 0.7 1.3 2.0 -0.8 0.7 1.3 2.0 -0.8 0.3 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0	100.0 101.1 107.3 111.3 112.2 108.9 -1.5 0.4 3.8 4.9 3.6 3.6 3.9 4.9	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 12.6 12.6 12.8 12.6 12.8 12.6 12.6 12.6 12.6	100.0 107.0 117.2 135.3 160.8 163.2 128.2 109.5 90.0 80.3 93.6 110.6 109.0 77.5 82.5 110.8 108.3 113.8 108.3 108.3	90.7 96.3 101.4 101.0 96.0 96.0 97.0 97.0 97.0 97.0 97.0 97.0 97.0 97	100.0 108.8 112.1 107.9 118.8 114.4 110.9 114.9 -5.7 -5.4 -9.8 -6.3 -8.8 -2.3 -10.5	100.0 104.1 106.8 114.2 118.7 118.0 115.4 115.4 115.4 115.9 -0.3 -0.9 5.0 8.8 -1.4 1.9 -3.5 -0.9 6.9 2.8 6.9 2.8 6.9 2.8 6.9 2.8 6.9 2.8 6.9 2.8 6.9 2.8 6.9 2.8 6.9 6.9 6.9 6.9 6.9 6.9 6.9 6.9 6.9 6.9		9.8 10.4 10.9 10.9 10.9 10.3 9.8 9.8 10.2 11.7 12.5 10.7 11.7 12.5	884.0 95.8 99.6 97.8 97.8 97.8 97.8 97.8 98.3 100.9 102.2 101.7	3.5 3.5 3.5 3.5 3.5 3.5 3.5 3.5 3.5 3.5	100.0 102.4 108.5 111.6 114.7 109.2	Ununployment 11.2 11.2 11.2 11.3 8.6 7.2 6.8 8.8 9.9 10.3 10.1 9.9 9.5 10.0 9.9 9.6 9.6 9.6	Vaccinity of the control of the cont	903. 97. 95. 983. 991. 965. 985. 108. 109. 110. 108. 108. 108. 108. 108. 108. 108

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Irish cross-border electricity link to reopen

Mark Street

The power link between Ulster and the Irish Republic, which was damaged by a series of IRA bomb attacks in the early 1970s, is to be restored, Northern Ireland Electricity, the pri-vatised power utility, announced yesterday. NIE is the largest quoted company in Northern Ireland.

The rehabilitation of the North-South Interconnector is one of a number of cross-border initiatives dusted off in the wake of the paramilitary

savings for both NIE and the Electricity Supply Board, the republic's power

The restoration also increases the viability of NIE's proposed £175m (\$287m) power link with Scotland, the subject of a public inquiry which should be complete by February. An NIE official said yesterday the

mentary and in line with European energy policy". The company's link with the republic will improve load-management effi- Power after a request from Northern ince's [Northern Ireland] isolation,' ciencies, allowing both companies to lireland's consumer committee. cover temporary power shortfalls. It will also provide trading opportunities for NIE to sell to ESB.

NIE stressed they were "still talking about contracts". However, ESB estimated the project could result in savings of 19500,000 (\$810,000)

two projects were "perfectly comple-Mr Geoffrey Horton, the Northern reviewing NIE's proposed undersea

Rentokil, the highly profitable

business services group, has replaced pharmaceuticals giant

Glaxo as Britain's most

admired company, a survey

said yesterday.
Queens Moat Houses, the

debt-ridden hotel group, was least admired, although

Lonrho and Eurotunnel were

only just ahead in the poll pub-

lished by Management Today

magazine in association with

The survey covered the 10

biggest quoted companies by

stock market capitalisation in

each of 26 industrial sectors.

Loughborough University.

The 10 most

admired companies

The chairman, chief executive

and five other directors from

each of the businesses were

asked to rate companies in

their sector on a scale of one to

10 on the basis of nine criteria.

1992

As part of the review, Mr Horton is looking at alternative proposals including one from Meekatharra Minerals, the loss-making Australian mining company, to build a lignite power plant near its coal development near

Ballymoney in County Antrim.
NIE said yesterday the company
had "nothing to fear" from the out-Ireland electricity regulator, is come of any review process. "Its not just a (power) generation problem, its

These ranged from manage-

ment quality, financial sound-

ness and ability to recruit and

retain too talent to innovation. community and environmental

responsibility and use of corpo-

Sector analysts at 10 leading

Apart from Rentokil and

investment companies were also asked for their opinions.

Glaxo - the latter topped the

previous survey in 1992 -

Marks and Spencer, Smith-

Kline Beecham, Unflever, Reu-

ters and Shell were all well

regarded and retained their

places in the top 10. Among

less familiar names Electro-

components, the electronic and

Rentokil overtakes Glaxo in survey

said Mr Jeff Rigby of NIE.

The European Union has already given its backing to the project with a grant of £61m for the interconnector with Scotland under EU regional aid. NIE said the north-south interconnector could be in service by

next March. If the Scottish Power link up gets the go-ahead, both Irish grids, north and south, will for the first time be integrated into the European

mechanical components distri-

bution group, and Bowthorpe,

the manufacturer of specialist

electronics, were eighth and

Companies making the great

est strides from 1992 included

supermarket group Asda (up from 239th place to 198), Whit-bread (161 to 25) and British

Steel (189 to 54). Among the

biggest losers were the exhibi-tions group Blenheim, which

has been plagued by poor

results, profit warnings and

internal dissent (down from 80

to 256), pharmaceuticals group

Wellcome (11 to 108) and Enter-

prise Oil, the unsuccessful bid-

der for Lasmo (79 to 222).

10th respectively.

Pearson and BBC to launch extra satellite channels

By Raymond Snoddy

The BBC and media group Pearson yesterday announced their plans to push ahead with the launch in January of two 24-hour European satellite television channels, one devoted to news and the other entertain-

BBC Prime, a subscription service concentrating on drama, comedy, light entertainment, natural history and children's programming, will replace the BBC's existing European general program-

BBC World, to be financed by advertising, will offer news on the hour backed up by current affairs, documentaries

asnd factual programmes. Both channels, aimed mainly at continental European cable television networks, will be launched on January 26. Neither will be available in the UK although the BBC hopes eventually to launch a 24-hour tele-

vision news service for Britain. The launch is the first fruit of the strategic alliance announced earlier this year between the BBC and Pearson, owner of the Financial Times.

The number of subscribers to cable networks is accelerating according to official figures from the Independent Television Commission. By October 1 a total of 779,461 homes was connected to modern broadband cable networks, a 50 per cent increase over 12 months.

Under the deal Pearson has agreed to meet the estimated peak financing cost of the twochannel venture of up to £30m. with the BBC contributing broadcasting expertise and programmes from its library.

At the moment the venture is a 50-50 one between Pearson and the BBC, but talks are said to be at an advanced stage to bring in one or more additional investors who would have a total of 20 per cent.

It is believed that a new potential partner is Cox, the Atlanta-based media group. Plans are already being drawn up to take similar channels to both the Far East and north America. The smaller markets of Australia and

South Africa are also being

UK NEWS DIGEST

Growth eludes newcomers to phone market

The newcomers to the UK mobile telephone market. Mercury One 2 One and Hutchison Telecoms' Orange, are failing to make an impact in the business sector, says a survey of members of the Telecommunications Managers Association, which represents large users of telephones. It says the sector continues to be dominated by the traditional operators, Vodafone and Cellnet. One 2 One is a joint venture by Mercury and US West and the largest shareholder in Orange is Hutchison Whampoa, the Hong Kong conglomerate.

Vodafone remains the principle mobile phone operator with a 46 per cent share while Cellnet, a joint venture by British Telecommunications and Securicor, has 38 per cent. Mercury One 2 One, which was launched last year, has a 2 per cent share while Orange, launched about six months ago, has 1 per

Orange, however, is expected soon to overtake One 2 One in popularity in the business community. Asked which operators were most likely to meet business needs over the next two years, 31 per cent of respondents chose Vodafone, 21 per cent Celinet, 14 per cent Orange and 1 per cent One 2 One.

The survey, published at the annual TMA conference yesterday, confirms anecdotal evidence that Vodafone and Cellnet are taking the lion's share of the current portable phone sales boom because their analogue systems are mature, well-tested and provide extensive coverage of the country. The newcomers, which offer only digital services, are still developing their technical infrastructures, and both are limited in coverage.

Australian competitor arrives

Telstra, the large government-owned Australian telecommunications group, plans soon to launch an international telephone service for UK-based corporate customers. The group acquired a licence to operate in the domestic UK market in April, and was the second overseas carrier to do so. It suggested then that it would offer domestic voice and data services, and resale

services to Australia. Its plans now envisage a broader international call service aimed at corporations and financial institutions. Telstra said it plans to start marketing the service immediately, although it will probably not come into effect until February and will not be launched formally until March. The group faces increasing competition in its domestic market. Its previous monopoly position has been eroded and it has been attempting to counteract this with international expansion.

Nynex CableComms. yesterday launched new low-cost phone services for business customers, to include free local calls to multi-site subscribers with three or more Nynex lines per site.

Police to keep helmets



The Metropolitan Police, who patrol most of London, are to keep their traditional pointed helmets for safety reasons, Scotland Yard said yesterday. The helmet, introduced in 1863 and based on a military design used by the Prussian army two decades earlier, is reinforced with plastic and provides protection against a blow to the head. The decision to allow the helmet to survive a review of police clothing

will help identify officers from the increasing numbers of private security firms with police-style uniforms. Some police forces, including the one in the northern city of Manchester, are switching to peaked caps similar to those used in Scotland.

Row between rail companies

One of the new state-owned train operating companies has accused Railtrack, the owner of the national network's track and stations, of providing such a poor service that it has been unable to run its advertised timetables. North London Railways said it had held talks with Railtrack about urgently needed improvements. Mr Chris Gibbard, retail manager of North London, told the local consumer watchdog committee: "We have all been as frustrated as yourself and all our customers at Railtrack's apparent inability to manage the

route." Details of Mr Gibbard's comments were made public by Ms Glenda Jackson, the actress who is now Labour MP for the London constituency of Hampstead and Highgate. "This letter shows the damage being caused by the government's irresponsible fragmentation of the network," she said. Railtrack and North London Railways are two of the units carved out of the former British Rall in preparation for a sell-off of the network

Racists blamed for attack

A racial motive lay behind a beating with a brick which left an A racial monve lay octains a beauting with a brick which left an Asian shopkeeper in south Wales near death, senior police officers said. Police believe young men staged a disturbance in the early hours of Sunday to lure Mr Mohan Singh Kullar, 50, from an upstairs flat where he lives with his family. Racist graffiti have been scrawled on the shop recently and the

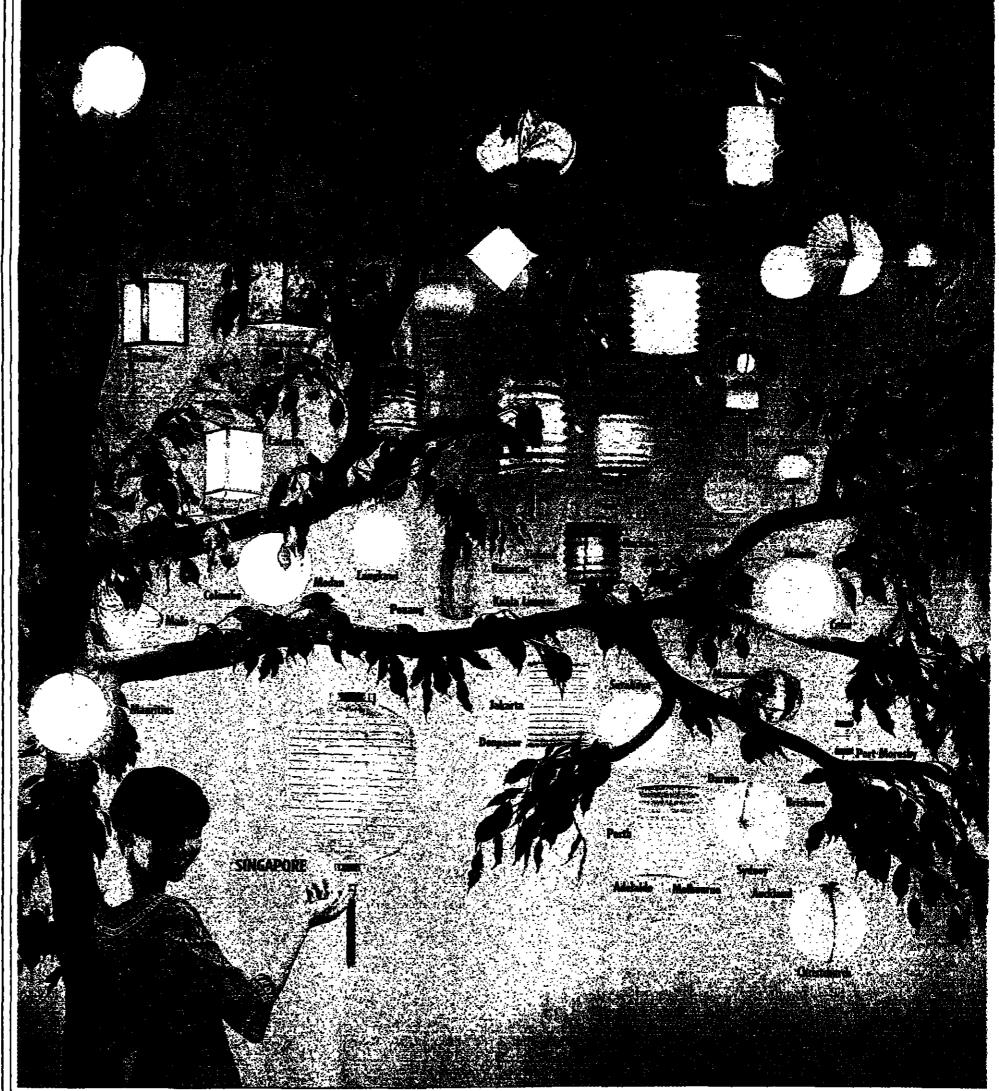
family has received threatening letters. Mr Kullar, who suffered a double fracture of the skull, was wir Authar, who suited it is some flacture of the skull, was said later to be "critically ill" on a life support machine. "He said later to be "critically ill" on a life support machine. "He was cold-bloodedly struck about the head; there was no robbery or burglary." said Detective Chief Superintendent Phil Jones. Mr Peter Hain, the local Labour MP, called in the House of Commons for an inquiry into "the rising tide of racist and Nazi violence in south Wales". Police later held five teenagers in connection with the attack on Mr Kullar.

Workplace discipline tightened

Many companies have tightened disciplinary procedures for employees and have widened the range of disciplinary offences employees and have with the range of disciplinary offences in the past six years, says a survey from the independent Labour Research Department. It has found that 79 per cent of Labour Research repetitions covered in the survey were tight-147 procedure agreements covered in the survey were tight-ened or modified over the period. "The range of possible offences is increasing and cover a wide variety of issues not previously the subject of discipline including smoking, sex and previously the sample computer-related offences," it says.

race narrassment and evidence to suggest that companies have it has found "some evidence to suggest that companies have it has found some evidence of succession and the lengthening unemployment queues used the recession and the lengthening unemployment queues used the recession and discipline". The proportion of workplaces to tighten up on discipline and recial haracement as most workplaces to tighten up on inscripting and racial harassment as matters of gross considering sexual and racial harassment as matters of gross considering sexual and racea management as matters of gross misconduct by employees has risen from 3 per cent in 1988 to 16 per cent.

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ON AND EMPLOYMENT

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Crackdown urged on black market in milk sales

The UK government, dairy industry and farmers' leaders called yesterday for a crackdown on an emerging black market in milk sales.

The Intervention Board, the government department that polices Common Agricultural Policy milk quotas in the UK, is investigating allegations that farmers are illegally selling milk to small processors.

Under European Union regulations, all milk sold by farmers individual quota limit. It is understandably frustrated about the

declaring it. The deregulation of the dairy industry in Britain has helped push up prices to farmers, encouraging them to produce more milk and boosting demand for quota. European milk quotas, however, prevent British farmers from meeting more than 85 per cent of the domestic

Mr William Waldegrave, agricul-

illegal to sell the milk without EU quota constraints. But they would be "wrong and foolish" to break the rules.

"They'd find themselves in very great difficulty at a time when we're rightly adding to the drive on fraud in the CAP," he said. "Any suggestions that was beginning to happen in the UK would be very damaging."

The intervention board said more than half the 30 tip-offs to its fraud

must be offset against their ture minister, said farmers were hotline, set up on November 9, had alleged milk fraud.

Milk Marque, the dairy farmers' co-operative that controls more than 65 per cent of supplies in England and Wales, said "a handful" of its members were being investigated for alleged fraud.

Mr Neil MacFarlane, manager for the Midlands and north Wales, said: "It's not a massive problem, but it gets emotions running high when people are seen to be cheating. It's another potential fraud and it could

become large-scale." Farmers face hefty penalties for producing milk without aquota.

They could be levied 29p (40c) a litre by the Intervention Board and face an unlimited fine and up to two years in prison if the case goes to the criminal courts.

Milk quotas are traded between farmers. However, the cost of buying or leasing the extra quota a farmer needs to cover increased output has soared, reaching a peak this year of 21p a litre for leased quota.

Sir David Naish, president of the National Farmers' Union of England and Wales, said quotas caused difficulties, but there was "no excuse for black marketeering". Milk Marque urged the intervention board to "stamp on it." Breaches were fairly obvious, Mr MacFarlane said. "It's very difficult to hide a 16 or 18-tonne

tanker going on to your farm." This year's overproduction of milk may push the UK over its 14bn-litre quota. Milk Marque urged farmers to wind down production gradually.

Settlement highlights extent of asthma

A bakery worker has received £27,500 (\$45,100) in an out-ofcourt settlement with his employer after claiming he had asthma from inhaling

flour dust. The settlement was announced yesterday as Britain's Health and Safety Executive released research inhaled chemical and natural irritants at work could become life-long victims of asthma.

Mr Roger Atley of Shawfield, Glasgow, worked for the Butherglen plant of Greggs, the Newcastle upon Tynebased bakery chain. A court had been due to start hearing

The settlement was reached without any admission of liability by Greggs. The HSE said the case would make employ-ers realise the importance of heeding warnings about the risks of asthma at work.

Robin Thompson and Partners, Mr Atley's solicitors, said they were already taking legal action on behalf of other bakery workers who said they contracted asthma in similar

The HSE's research, jointly funded by the National Asthma Campaign, found that increased workplace exposure

to such irritants is the most important factor in triggering occupational asthma. Previously, researchers had concentrated on the predispo-sition of an individual towards

allergic reactions, rather than the intensity of exposure to the irritants, said Professor Anthony Newman Taylor, of Royal Brompton Hospital, who carried out the research.

He estimates there are between 1,500 and 2,000 new

cases each year.
Mr Murray Devine, a senior HSE health policy official, said

employers should install better air extraction systems, enclose the processes which expose workers to irritants and provide protective equipment such as masks.

Replace CAP subsidies, says think-tank

Agricultural subsidies to farmers in the European Union should be phased out and replaced by a "safety net" of social and environmental payments in rural areas, the Royal Institute of International Affairs will recommend this

The radical proposals from the Chatham House think-tank are the latest in a groundswell ssure for further reform of the Common Agricultural Policy, intensified by the proposed entry of east Euro-

The institute calls in a 10point programme of reform to be unveiled in Brussels on Thursday for a comprehensive policy for rural development to replace the CAP and take on a comparable political importance. It says this would "organisational changes" in the European Commission and the Council of Ministers - a hint that farm policy would be better dictated by a wider range of ministers

The report is designed to Farm leaders attack, Page 30

new European Commission next year. It recommends that support for all CAP products should be reduced to near world market prices over five to seven years and that border tariffs should be lowered.

Existing compensation paid should be phased out, while compensation for reductions in support prices in as yet unreformed sectors such as sugar should not be related in any way to output levels in order to discourage overproduction. It should also carry specific

The institute wants production quotas for sugar and milk to be transferable across borders in the short term, and to be eliminated in the long term. But it says payments for adopting environmentally friendly practices should be available to states to have greater freedom to introduce social and envi-ronmental schemes provided these are strictly controlled to



Mr William Waldegrave, the UK agriculture minister, said yesterday it was highly unlikely agree this year acceptable limits on journey times for animals being transported to slaugh-

He said he did not expect agreement, although the best hope lay with the German presidency of the EU, which will conclude at the end of this year. It was even less likely under the French presidency next year because France would be preoccupied with elections.

Leading British ferry companies have stopped transporting live animals to mainland Europe The companies say they will reconsider their bans only if there is EU-wide agreement on

Mr Waldegrave said in London at the start of the Royal Smithfield Show, the UK's main livestock show, that the government was ready to introduce its own code of practice for hauliers if no EU deal emerged, and would seek help from other member states to police it.

While accepting there was genuine concern about animal welfare, he condemned violent tactics by extremists, such as bomb threats against ferry companies. "We will not allow policy to be dictated by those who use such

following protests from animal welfare groups. Row over duty-free sales reaches High Court

Dover Harbour Board yesterday asked the High Court to block the attempt by Eurotunnel, the Channel tunnel operator, to put an end to duty-free shopping. Eurotumnel, which is not allowed to

sell duty-free goods on its trains although it has duty-free shops at Folkestone and Calais, claims its competitors are enjoying an unfair and discriminatory advantage under European free trade laws because they can subsidise

Perries, airlines, goods suppliers and fares from on-board sales profits. because of the failure to harmonise Eurotunnel's competitors argued that its application for a judicial review of a 1991 Customs and Excise decision allowing the duty-free trade to continue should be struck out because it was

brought outside legal time limits. The Customs decision was based on a ruling by the European Council of Ministers that, despite the advent of the European single market, the trade should be allowed to continue until 1999

rates of duty between member states. At the start of a five-day hearing, the ferry companies' counsel told Lord Justice Balcombe and Mr Justice Tucker Eurotunnel was seeking to argue that its competitors had no sufficient legal

interest in the case, enabling them to seek a strike-out order. He said this was clearly a "blatant" attempt to stop the court deciding the question of delay. The ferries and the other operators obviously had an interest because they relied on revenue from duty-free sales and would be seriously affected if Eurotunnel won its case.

Eurotunnel, which says the duty-free trade represents a total loss to the Exchequer of £600m a year in excise duty and value added tax, is asking that questions of European law are referred to the European Court of Justice as a preliminary to the full hearing of its judicial review application.

Lord disclaims earldom to remain an MP

The govern-ment's chances of securing vic-tory in the vote on the Euroof securing vicpean Communities finance

bill were boosted yesterday after a minister renounced an earldom which he had recently inherited, James Blitz writes. Lord James Douglas-Hamilton, a junior Scottish Office minister and MP for Edinburgh West, announced that he would not adout the title Earl of Selkirk following

the death of the 10th earl, his uncle, five days ago. If he had not made the statement Lord James could have been barred immediately from the Commons chamber and

unable to vote in tonight's crucial division. Lord James's current title is courtesy title and he can

therefore sit as an MP. He said yesterday that he would renounce the earldom under the provisions of the Peerage Act 1963. He had already submitted documents

He said he had been unhappy to act so soon after the earl's death, but added: "I owe it as a duty to my constituents whom I wish to continue to serve, and as a matter of loyalty to the prime minister and to the Conservative party, to support John Major in the

voting lobby tonight."
He had discussed the matter

During last night's critical debate on Britain's contribu-tions to the EU budget, Conservative Euro-critic Sir Teddy Taylor said that an "enormous" number of MPs would vote for "what they think is a load of rubbish".

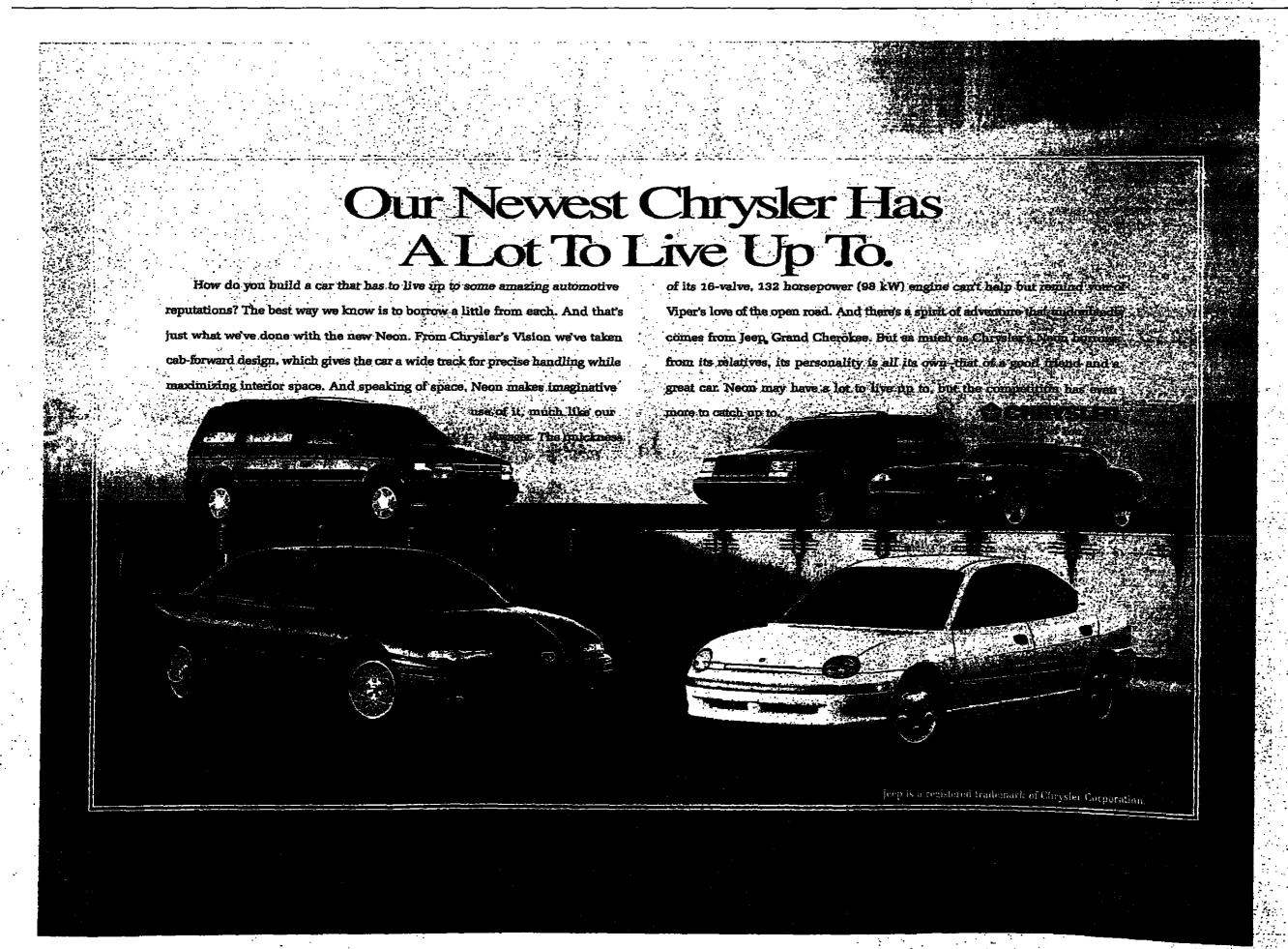
He warned: "I know there is a substantial number on this side who are totally opposed to what is happening, who feel obliged to vote for it."

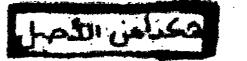
He could not walk down the street and face people "straight and open" if it was decided to pour more cash into this wasteful, fraudulent and non-democratic organisation".

with Mr Ian Lang, the Scottish secretary, and Mr Malcolm Rifkind, the defence secretary, before making up his mind. Mr Lang said last night: "Lord James's decision is greatly to his credit. It reflects

his strong commitment to the welfare of his constituents." The Peerage Act was used by Mr Tony Benn, the Labour MP, to renounce the title Viscount Stansgate in 1963. Mr Quintin Hogg, the former Lord Chancellor, and Sir Alec Douglas Home, the former prime minis

ter, also renounced neerages in order to sit in the Commons. Several MPs pointed out yesterday that Lord James's decision was particularly significant because he had a majority of just 879 in Edinburgh West at the last general election.





French request on

air routes rejected

the European
Court of Justice
has rejected
France's application for suspen-

EUROPEAN sion of the Euro-

decision on access to the Paris

(Oriy)-Marseille and Paris (Orly)-

He said the alleged damage to

Air Inter, the French regional air-

line, and French air transport had

The Commission's decision said

France could not rely on the exclusivity provisions of the 1992

council regulation (2408/92) on

access to Community air routes to

refuse Community airlines access to the contested routes, in favour

In June 1993, TAT European Airlines had applied to the French

authorities for a licence to operate

on the contested routes. The appli-cation was rejected on the basis of the 1992 regulation which permit-

ted exclusive concessions on inter-

nal routes for a transitional

period, when service could not be

assured by other forms of trans-port. The French authorities

claimed Air Inter, part of the Air

France group, enjoyed exclusivity

In September 1993, TAT com-

plained to the Commission, relying on a number of grounds

including breach of the 1992 regu-

lation. It argued France had agreed in October 1990 to termi-

nate the Air France monopoly

over the contested Orly routes by

March 1 1992. Since TAT served

the same routes from Paris

Charles de Gaulle, Air Inter did

not have exclusivity as envisaged

by the regulation. TAT claimed

the consequent discrimination between TAT and Air Inter in the

allocation of routes infringed the

TAT asked the Commission to

adopt a decision under the 1992

regulation, saying France could

not continue to apply the measure

in issue. The contested decision was adopted on April 27, giving

France until October 27 to comply.

In dismissing the French appli-

cation for suspension of the Com-

mission decision, the ECJ presi-

dent said the rules of procedure

required two conditions to be sat-

isfied: urgency and prima facie

L. Over Life heat her year.

1992 regulation.

under a 1985 agreement.

Toulouse air routes.

not been established.

of Air Inter.

COURT pean Commis-sion's April 1994

The president of grounds for interim measures.

To be urgent, it must be no

To be urgent, it must be neces

sary for the Court to adopt interim

measures to prevent serious and

irreparable harm resulting from

the immediate application of the challenged decision. The president rejected France's arguments that serious and irrepa-

rable harm would result. France

claimed that Air Inter would lose

35 per cent market share within

one year. This would prevent its

operation of allegedly unprofitable services on the contested routes.

Consequently, it would have to grant state aids to Air Inter to

maintain that service, but would

not be able to adopt the necessary

measures before the end of 1995.

France also maintained the

immediate application of the deci-

sion would cause serious harm to

the organisation of French air

transport and the policy of territo-

rial management. And since the

exclusivity provisions of the regu-

lation would expire on January 1 1996, the main appeal would be

without purpose and the alleged damage irreparable. The Commission's response was

that the evidence on the market

evolution and profitability of Air Inter, which was unchallenged, revealed that it was unprofitable

on international routes and not

Orly routes. Even if specific

regional routes were to be given

up by Air Inter, which was

unlikely, it said there were other

airlines with lower costs which

could enter the market and main-

tain French air transport policy.

dicted losses were uncertain. Even if French estimates were correct,

the risk that Air Inter would aban-

don certain loss-making regional

routes was a hypothesis subject to

innumerable unpredictabilities.

And if that did happen, there was

no reason to believe the French authorities would be unable to

ensure continuity of those routes

by inviting other airlines to ser-

vice them or by imposing public

interest obligations in accordance

Since the harm alleged was not

C-174/94R, France v Commission,

BRICK COURT CHAMBERS.

ECJ order of president, October 26

established, it was not necessary

to decide if prima facie grounds

for interim measures existed.

with the 1992 regulation.

The president concluded the pre-

orporate America blanched in early Septem-ber when a jury in Calif-

ornia awarded Ms Rena

Weeks, a former secretary at inter-

national law firm Baker & McKenzie, \$7.2m for sexual harass-ment by partner Mr Martin Green-

Ms Weeks, who had worked for

Mr Greenstein for just 25 days, took on the might of the world's largest

law firm and won the biggest ever

sexual harassment award in a case

not involving sexual assault or

rape. What, then, might someone in

her position inflict on a corporation

less well placed than Baker & McKenzie to defend itself?

explanation for the size of the

award in the days that followed,

law firms and company executives

were tempted to regard it as an aberration of America's bizarre sys-

After all, the San Francisco jury had awarded Ms Weeks only \$50,000

for emotional distress caused by Mr

Greenstein touching her breast

while putting sweets into her blouse

pocket. The rest of the award was punitive damages.

But those who kidded themselves

that the Weeks case was a one-off were soon disabused of the notion.

The jurors, who had heard testi-mony of alleged sexual harassment

from other Baker & McKenzie

employees, told America's Court TV

they felt that a message needed to

be sent not just to the law firm but

to all companies of the dangers of

ignoring and covering up unaccept-

The result of the Weeks case,

according to US employment lawyer

Mr Ronald Green, a partner of New

York's Epstein Becker & Green, is

likely to be a big jump in the num-

ber of sexual harassment claims in

Last week, Mr Green, who is

widely regarded as America's lead-

ing employer defence attorney in

sexual harassment and discrimina-

tion cases, was in London to talk to

UK companies about the rise in this

type of lawsuit in the US and the

He said the most obvious risk was

to companies with operations in the US. His message to them was that

their US investment would be

imperilled by indifference to this

problem and they should take

action now, rather than waiting

to his US corporate clients: carry

out an immediate risk assessment

look at the company's prior history

of complaints, check grievance pro-

"The aim is to have employees

know enough to expand their rights," he said. But not too much -

you don't want to create a flow of

cedures, and train your staff.

His advice was the same as that

until they faced a lawsuit.

risk this poses to UK businesse

the US.

tem of punitive damages.

In the search to find a rational

At risk from

harassment

UK companies cannot afford to ignore

sexual misconduct, says Robert Rice

Rena Weeks: a jury in the US awarded her \$7.2m for sexual harassment

work that it received last year rose

by 58 per cent from 502 in 1992 to

793. In the first nine months of 1994

in the UK has increased through

cases such as that brought by

Samantha Phillips, an aviation insurance broker with Willis Cor-

roon. In August she was awarded

£18,000 damages by an industrial tribunal after claiming she was

sacked because she spurned the

actions to be brought on behalf of a

whole class, or group, of employees.

In the US, Mr Green said, class

actions in employment cases were well established. In April 1992, for

instance, the Illinois-based State

Farm Insurance Company settled a

sex discrimination class action for

In May 1993, in the first class

action for sexual harassment, a

Minnesota District Court found the

Eveleth Taconite mining company

guilty of sexual harassment for

he biggest threat to UK

companies from sexual harassment claims will

come if the UK allows

advances of a senior manager.

Public awareness of the problem

it had already received 552.

grievances and complaints".

The second group most at risk comprises UK subsidiaries of US

companies. These companies need

to be aware of the problem, because the US exercises jurisdiction in this

area over a US-owned or controlled

could find themselves facing law-suits in the US from UK-based

employees. There was a timely

reminder of this in April, when

three male foreign exchange dealers

at the London branch of Goldman

Sachs, the US investment bank,

were forced to resign following com-

plaints of sexual harassment from a

Mr Green also believes the UK

Although awards in the UK are

unlikely to reach US levels -

hecause juries do not decide dam-

ages except in libel cases, and puni-

tive damages are not generally

available - there are signs of an

upsurge in sex-based employment

The UK Equal Opportunities

Commission says the number of

complaints of sexual harassment at

could soon face a wave of its own

female colleague.

US-owned companies in the UK

employer anywhere in the world.

Companies liable

price-fixing deals

The English House of Lords

has overturned the Appeal

Court's 1992 ruling in the

Smiths' Concrete case, in which it said companies were not liable for

in 1991 Smiths and three other

ready-mixed concrete companies

Practices Court for allowing their

representatives to enter into price

operating in Oxfordshire were

fined by the Restrictive Trade

fixing and market-sharing arrangements. On the basis that the companies had expressly

instructed employees not to

participate in anti-competitive

arrangements, and were therefore "not party to the agreements", the Appeal Court allowed their

appeals. The House of Lords bas

now overturned those decisions.

The Law Lords said that to rule

otherwise would allow companies

practices outlawed by Parliament if

to benefit from restrictive trade

the arrangements were made by

employees and had been forbidden by "higher management". An employee acting for the company

employment was the company, they

said. The Lords also described the

fines of up to £25,000 as "derisory"

Competition lawyers say the decision points up the need for

communies to adopt effective

programmes or risk heavier

Breast implants

n estimated 50,000 British

women who had breast

Limplants before June 1993

have two more days to register fol

settlement by US manufacturer Dow Corning. Foreign women who

fail to register by December 1 will

be excluded from the settlement

claims in the US courts.

a share of the \$4.2bn worldwide

competition compliance

penalties in future.

within the scope of his or her

their employees' breaches of

competition law.

for employees'

creating a hostile work environ- | LEGAL BRIEFS

ment for women. Damages are yet

Class actions in this area are potentially devastating. In the US, a woman or a man who has been sex-

nally harassed has the right to go to the US Equal Employment Opportu-nity Commission, which will inves-

tigate and prosecute the complaint

free of charge. If the complainant is

unhappy with the result, he or she is entitled to bring an action for

Under a new Federal statute, the damages for emotional distress and punitive damages recoverable by a

plaintiff proving sexual harassment

before a Federal jury are capped at

\$300,000, although the cap does not

extend to damages for lost prior or

future earnings.

In a single action, this law would be of benefit to employers, but in a

class action the picture is different.

One employee can claim not just on

his or her own behalf but theoreti-cally on behalf of all members of

the class - which could mean every

woman who works for, or has

worked for, an employer.
With each member of a successful

Federal class action entitled to

recover up to \$300,000, the potential

threat of such a case to a company's

Under state law, however, things

are even worse. No state has a cap

on damages for emotional distress and only a handful, such as New York State, has a cap on punitive

damages. Ms Weeks was able to

recover \$7.2m because she brought her case under California state law.

"One large class action under state law could wipe out a corporation,"

Where companies have offices in

several states, there is also a poten-

tial for forum shopping. Complain-ants could choose to bring a sexual

harassment class action in a state

such as Florida, Michigan or California, which traditionally produce

Mr Green earned his reputation

as an employers' defence attorney

through tough cross-examination of

claimants on their past sexual

behaviour and personal history.

However, that hard-nosed approach

is under threat from new federal

laws, extending the shield given to

rape victims to plaintiffs in sexual

harassment cases. The new law pro-

hibits indiscriminate use of a plain-

tiff's sex history.

Mr Green said this would make it

more difficult for employers to dis-

prove plaintiffs' claims that sexual

advances were unwelcome and

unprovoked. "You win these cases

by destroying the credibility of the

accuser," he said. Such cases look like becoming

harder for employers to win. Com-

panies doing business in the US

have been warned.

the highest jury awards.

finances is enormous.

Mr Green said.

damages before a civil jury.

to be assessed.

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TERSINAL MOVEMBERS



Cancer kills five people every minute of the day. In the first of a six-part series, Clive Cookson reports on the war against cancer and the encouraging trends behind the statistics.

IN THIS SERIES:

DECEMBER Causes and prevention Smoking, Diet and food supplements. Sunshine and skin cancer. Chemicals and other /accines against cancerosusing viruses. Antibiotics to prevent stomach cancer.

Diagnosis and screening enetic susceptibility Scans, Identifying cance markers in the blood. Politics and economics of

FEBRUARY

Drugs to kill rapidly dividing cancer cells. drugs and other ways of reducing side effects Hormone-based treatments. Photodynamic

altemative remedies. MARCH

X-rays. Gamma rays. Neutron beams, Heavy

therapy. Herbal and

Magic bullets. Antibodies and fusion toxins aimed at cancer

APRIL

Genetic treatment and other biotech approaches Gene therapy and antisense. Ceil migration and adhesion. Apoptosis and cell suicide. immunostimulants. Cell growth factors. lmerferons and

Closing in on a serial killer

ancer continues to sink its dures of chemotherapy (poisoning claws deeper into mankind. After two decades of "war on cancer", fuelled by billions of research dollars, the to cut out solid tumours. death toll rises inexorably.

The disease - named after the Latin word for crab because of the crab-like pattern made by blood vessels on a growing tumour - will kill an estimated 2.5m people in the industrialised world this year. That amounts to almost a quarter of all

The gloomy mortality statistics contrast with excitement among cancer researchers, who have made more progress towards understanding the fundamental processes responsible for the disease over the past 15 years than in all previous history. The important question for present and future cancer patients is how quickly the new knowledge can be converted into better diagnosis and treatment.

At present there is a gap between doctors' continuing inability to provide much more than palliative care for millions of cancer patients and the cascade of optimistic stories in the popular media about "breakthroughs" in research, such as discovering cancer genes and inventing experimental drugs.

There is an inevitable delay - typically a decade or so - while an advance in medical science is developed for commercial application. So no one should expect the latest discoveries to have made any clinical impact yet. But many people will remember "breakthroughs" from the 1970s and early 1980s, such as interferon and "magic bullet" antibodies, which would have transformed cancer treatment by now - if they had lived up to first expectations.

Very few patients are treated with novel approaches derived from biotechnology. The vast majority still undergo the well-established procecancer cells with a drug cocktail) and radiotherapy (destroying them with radiation). Surgery is also used

"We hear the word 'breakthrough' thrown around too much," says Nicholas Wright, clinical director of the Imperial Cancer Research Fund in London, "and we certainly get the impression that the public are a bit jaundiced by scientists talking about

breakthroughs." Why are more people contracting and dying from cancer? The first reason is an epidemic of cancers caused by smoking, particularly lung can-cer. "At least 30 per cent of all cancer deaths are tobacco-related," says Archie Turnbull, executive secretary of the Geneva-based UICC, an umbrella body for the world's cancer

charities. A second, more fundamental, reason is that cancer is mainly a disease of old age. As medicine becomes more successful at preventing early deaths from other illnesses such as heart attacks and strokes, more people are living beyond the age of 70. above which the risk of cancer rises

Despite the overall rise in cancer mortality, there have been substantial improvements in some areas. The most encouraging feature of the statistics since the 1970s is the prog-ress in curing cancers in children and young adults - particularly leukaemia, Hodgkin's disease and testicular cancer - through new drug combinations. The number of children under the age of 15 dying from cancer has fallen by half.

There are two principal reasons why young people are responding more readily to treatment. One is that vouthful cancer cells in the blood or lymph systems are physically easier to reach and destroy with drugs and/or radiation than the solid tumours of the middle-aged and

in childhood cancers than in slowerwhich work by damaging DNA dur-

ceptable side-effects. Prospects for curing the big killers tumours of the lungs, bowels. stomach, breast, prostate and pan-

1989 90

chemotherapy today.

and less of others."

creas – depend above all on develop-

ing treatments that discriminate

more effectively between cancer and

normal cells than the drugs used in

The discovery of genetic changes

leading to cancer should make this

possible, says Gordon McVie. scien-

tific director of the Cancer Research

Campaign. "These provide for the

first time an absolute chemical dif-

ference between the cells. Until now

we have had to rely on qualitative

differences - the cancer cells mak-

ing rather more of some proteins

Scientists have identified more

World market for cancer drugs

elderly. Another reason is that the difference between proliferating cancer cells and normal cells is greater growing adult tumours. Therefore chemotherapy and radiotherapy, ing cell division, can destroy more cancer cells without causing unac-

Causes of death In developed countries (1990) murder and **SUICICIO**

Deaths by cancer in developed countries (*000s)

than 100 genes that can trigger the

cellular processes leading to cancer, if they mutate. (Causes of mutation

include carcinogenic chemicals, radi-

ation, family inheritance, and

random changes during cell divi-

One dangerous type of genetic

change stimulates cell growth.

Another shuts down the protective

"tumour suppressor" genes which

normally prevent excessive prolifera-

tion. The former has been compared

with a car that has its accelerator

jammed on, the latter with a failure

New approaches to the prevention,

		The second s
outh and pharynx	52	Cervix 33
esophagus	62	Other uterus 38
tomach	244	Ovary: 60
erge intestine	273	Prostate 110
ver'	55	Bladder 63
ancreas.	118.	Other & ill-defined 406.
arynx	33	Hodgkin's disease
ing .	530	Other lymphoma & myelome 89:
elanoma	23	Leuksemia75
reast	177	ALL CANCER 2,450
serce: WHO, ICRF	7	سو کوئی اور سو کوئی این اور

diagnosis and treatment of cancer are being built on such differences between the genes of diseased and normal cells - and the corresponding differences in the proteins they produce. One possibility is to block the damaging effects of abnormal "growth factors" which sustain the proliferation of tumour cells, with-out harming healthy cell growth.

But cancer genes are not the only reason why researchers are excited. Another is their new understanding of the way the body's immune sys-tem recognises and attacks cancer cells. This has led to experimental "cancer vaccines" to boost the immune response.

These novel "biotech" approaches to cancer diagnosis and treatment will be examined over the next six months on the Financial Times technology page. So will advances in more conventional chemotherapy and radiotherapy.

The aim is to convey the real optimism that now prevails in the laboratories - a hope and expectation that cancer will eventually be restricted to a disease of the very old without raising excessive expectations about the speed and ease with which this will happen.

After 50 years in cancer research, Sir Richard Doll of the ICRF Cancer Studies Unit in Oxford sums up the mood: "We are winning the war against cancer, albeit slowly." --- -

Disease tops list of industry priorities

devoting huge resources to cancer research and development, in relation to sales of existing

Although reliable figures are not available, industry sources estimate that companies worldwide spend 33bn (£2bn) a year on cancer R&D. US companies are responsible for about half the total

The cancer therapeutics market is worth about \$6.5bn this year. according to Frost & Sollivan, the international market research company: 38 per cent in the US, 26 per cent in Europe and 36 per cent in the rest of the world.

The leading suppliers are Zeneca of the UK (whose tamoxifen was the best selling-cancer drug with \$550m sales in 1993) and Bristol-Myers

Squibb of the US.
"Devoting almost 50 per cent of sales revenues to R&D is a very high figure indeed," says David Bar-rett, Bristol-Myers Squibb's strategic projects director. The industry's overall R&D expenditure is 15 per cent of drug sales.

The main reason why cancer spending is so high is that the disease is top of the industry's priority list of "unmet needs". Although deaths from heart disease are twice those from cancer, they are falling and cardiologists already have a much wider range of effective treatments than oncologists.

At the same time, scientific advances are giving many new leads both to traditional drug companies and to the emerging biotechnology sector. The world now has more than 1,000 experimental cancer drugs in the R&D pipeline.

Analysts such as Decision Resources and Frost & Sullivan predict continued growth of more than 10 per cent a year in the cancer market into the next century. It is expected to exceed \$10hn by 1998.

The industry's cancer R&D spending is matched by a further \$3bn a year from the world's governments and charities. By far the largest con-tributor is the US National Cancer Institute, which receives \$2bn a year in federal funding.

The charitable sector is particularly important in the UK, where the Imperial Cancer Research Fund and Cancer Research Campaign spend £100m a year between them -10 times as much as the state-funded Medical Research Council.

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BRITISH COAL CORPORATION Invitation to offer to purchase **CRE Group Limited**

British Coal Corporation ("BCC") is seeking offers to purchase CRE Group Limited ("CRE Group").

CRE Group
CRE Group is a wholly owned subsidiary of BCC into which have been transferred the technical consultancy services and laboratory scale research and development activities of British Coal's Coal Research Establishment.

CRE Group offers a range of technical consultancy services and laboratory scale research and development activities to British Coal. funding organisations, such as the Overseas Development Administration and the Know How Fund, and industrial companies, both in the United Kingdom and overseas. CRE Group operates through five business groups: Consultancy: Appliances and Fuels; Blomass and Waste; Environment and Industry; and Research and Analysis. The main services provided are as

 Consultancy This business group undertakes a variety of consultancy activities ranging from detailed technical evaluation of coal and energy utilisation processes to strategic consulting in relation to energy sector and environmental strategy issues.

 Appliances and Fuels This business group provides a wide range of testing and investigational services. traditionally to the solid fuel industry, but recently also to the oil and gas markets. Biomass and Waste

The aim of this recently formed business aroup is to use the core skills of CRE Group's employees to develop business which is not related to coal, but which requires similar scientific and technical expertise.

 Environment and Industry This business group offers an integrated energy environmental service covering monitoring, emissions environmental consultancy and technical support.

Research and Analysis In the United Kingdom, CRE Group is a major centre for laboratory scale coal research and development. This business

markets for coal: power generation, industry, commercial and domestic, and carbonisation. In addition, it is intended that two subsidiaries of BCC, IEA Coal Research Limited and Combustion

Systems Limited ("CSL"), will be transferred to CRE Group, IEA Coal Research Limited is the operating agent for the IEA Coal Research Programme, which undertakes studies to evaluate scientific, technical, environmental, economic and other data relevant to coal. It is also intended that CRE Group will become the operating agent for the IEA Greenhouse Gas Programme. CSUs principal activity is the exploitation of certain patents and intellectual

CRE Group employs 84 staff and operates from freehold premises located at Stoke Orchard, Cheltenham, Prospective purchasers of CRE Group are now invited to pre-qualify for

the sale process. Interested parties who do not pre-qualify may be excluded from the sale process. Applications should be made in writing to Samuel Montagu & Co. Limited ("Samuel Montagu") at the address stated below enclosing the following information:

- a brief description of the applicant's activities and those of the group to which the applicant belongs, if applicable;

- a copy of the audited annual company accounts, and the consolidated accounts of the group to which the applicant belongs, if applicable, for the past

three years;

a brief description of the industrial and economic rationale for the acquisition; and an explanation of the way in which

the acquisition will be financed. Applications may be made by fax but should be followed by a postal or hand delivered application and should be sent as soon as possible and, in any case, so that they are received no later than Friday 9 December 1994.

BCC will consider applications to pre-qualify on the basis of the information requested above and any other factors considered appropriate and reserves the right not to pre-quality any potential purchaser. Applications to pre-qualify should be made only by parties which are incorporated as limited companies.

Those who respond to the invitation to pre-qualify will be provided with a confidentiality letter which should be validly counter-signed by the applicant

group's work is related to all and returned to Samuel Montagu at the address stated below to arrive no later than Friday 16 December 1994.
Applicants who pre-quality will thereafter be provided with an information memorandum issued by Samuel Montagu which will include information on CRE Group and on the process of sale and timetable. It is envisaged that pre-qualifiers will be required to submit non-binding preliminary offers by on or around Monday 16 January 1995.

> Neither this invitation, nor the receipt of any offers by BCC will create, with respect to BCC, any obligations or commitment to sell to any bidder and, with respect to any bidder, any rights to demand any performance whatsoever by BCC. BCC reserves the right, in its absolute discretion, to withdraw from negotiations with interested parties without assigning any reason or providing any compensation for fees or expenses incurred. Brokers or agents of any kind must disclose the identity of

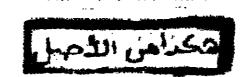
> the company they represent.
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process are subject to English law.
This advertisement, for which BCC is responsible, has been approved by Samuel Montagu, a member of The Securities and Futures Authority, for the purposes of Section 57 of the Financial Services Act 1986. Samuel Montagu is acting for BCC in relation to the publication of this advertisement and is not acting for any other persons and will not be responsible to such persons for providing protections afforded to customers of Samuel Montagu or advising them as to any matter referred to herein.

Address for receipt of applications

All communications and applications should be addressed to Samuel Montagu, who will receive them on behalf of British Coal, and marked for the attention of Peter Jones, Director, Corporate Finance Division, at 10 Lower Thames Street, London EC3R 6AE (telephone: 071 260 9315, facsimile: 071 623 5512). Neither BCC nor CRE Group nor any customer or supplier of either of them should be contacted directly (without the prior written consent of Samuel Montagu).







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brakes and seat belt pre-tensioners are standard, as are driver and front seat passenger airbags. However, to truly understand what we mean by 'the relentless pursuit of perfection', get behind the wheel of the Lexus GS300. A test drive is worth a thousand words.



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PATION



Italian borsino planned

Dians announced last week to launch a pan-European stock market for entrepreneurial companies have struck a chord in Italy, where banks, business federations and the stock exchange authorities are encouraging the birth of a baby stock market, or "borsino".

The plan ought to stand a good chance of success. Italy's innovative small and mediumsized companies, particularly those in the north of the country, are recognised as the backbone of the Italian economy, and many are enthusiastic exporters bent on expansion. But manage ment consultants say their development is being hampered by their inability or unwilling ness to take on more bank debt, making stock market flotation a tempting alternative.

Consob, Italy's stock exchange watchdog, has invited consortia to submit offers to set up a second market, which would trade ordinary shares as well as bonds and warrants. Promoters would have to guarantee the presence of at least 50 companies with an overall market capitalisation of more than L500bn (£198m) and the involvement of an adequate number of intermediaries to

guarantee liquidity.
The main problem, however will be persuading growing Italian businesses - many of them family-owned - that they need to list their shares, after decades of relative prosperity as unquoted companies. To encourage entrepreneurs on to the second market, the government is offering fiscal incentives to small companies which decide to float their shares, and to investors who want to buy them. A further snag is that even the main equity market, in Milan, is relatively underdeveloped.

As for the European second market, advocates of an Italian version are sceptical about the willingness of investors in Rochdale wanting to buy shares in a Rimini-based company. Although the second Italian market will be national, the emphasis is at first likely to be on local savers investing in local

Andrew Hill

uring the first holiday David Coulter took after founding his laundry business, Stalbridge Linen Services, he read a book on management by Peter Drucker. To Coulter, a boot-strapping

entrepreneur who began his bustness washing pub tea towels in London launderettes, Drucker was merely re-stating the obvious. "You talk to the customers and find out what they want and provide it. And if it goes wrong, you find out why and sort it out," says Coulter.

Without knowing it, Coulter says he had been applying much of this theory as he grew his business in Dorset to £6m of sales and a workforce of 200 people.

It was therefore a rude shock when he applied for Investors in People, a government-sponsored programme set up in 1990 to boost training and management development in the UK. Instead of sailing through to IIP recognition, Coulter found his management team fell well short of the mark.

The production side of the laundry - sorting, washing, pressing and packing - passed with flying colours. But in frank conversations with the consultant who helped implement the IIP programme, Coulter was told his management relied on firefighter decision-making, rather than foresight and planning, and that there was considerable scope for improving communication among the team.

"We had senior managers who were relying on experience and know-how from the past and were not looking to improve themselves or inspire the people underneath them," Coulter says. "The attitude had to change."

Driving down a narrow Dorset lane shortly after starting the IIP programme, Coulter recognised his problem. Like the traffic building up behind two dawdling cars, the pace of Stalbridge's progress was being dictated by its slowest manag-

He fired the entire management team and made them reapply for their jobs. Nine months later, in May this year, Stalbridge won IIP recognition. Most of its managers got jobs back in different areas. But responsibility is now more effectively delegated, training systems are better documented and the management team has been allowed to grow now that it has been freed of the influence of managers who did not encourage personal develop-

ment, Coulter says.
His early scepticism about the IIP programme is not uncommon. He approached the exercise thinking it would be a good marketing tool but otherwise with low expectations.

The surprise at discovering that IIP has real benefits is also not unusual. According to Mark Spilsbury, senior research fellow at the



A clean job of it

Richard Gourlay on a laundry owner's experience of working with Investors in People

Sussex University, a growing number of case studies suggest the IIP programme is achieving its aims.

"Unusually in our evaluations of government initiatives, the response has been quite astonishingly positive," Spilsbury says, based on the early stage of an evaluation he is conducting. "Employers certainly liked it [IIP] and thought it had made an impact on how they had done their training and development and thought it would filter through and benefit the hottom line.

He believes IIP opens up channels of communication and will eventually increase businesses' chances of

Institute of Employment Studies at surviving and growing. "It gets them [managers] focusing on their business needs," he says. "It goes all the way through from the mission statement, the business plan and training plan linked to that. For some companies that is quite new stuff."

The IIP programme is funded by the department for employment and administered through the Training and Enterprise Councils which market it to local companies. Some companies qualify for a subsidy from the Tec. Dorset Tec paid about half the cost of Stalbridge's IIP consultant but the expense of implementing the programme still came to £30,000, Coulter says.

Companies that seek the standard must agree to training all employees towards specified corporate objectives; they must regularly review training and development needs and identify the necessary resources in their business plans. They must train employees when they are recruited and evaluate subsequent training and development and revise their targets.

The government's intention is that half the companies with more than 200 employees should have achieved HP recognition by 1996. More than 350 companies are already recognised as Investors in People and 2,800 are on the way to achieving recognition - this is about 35 per cent of companies with

more than 200 employees.

But is there any proof that IIP works? "I would say there is plenty of evidence, though not proof, of improvements," says Mary Chapman, chief executive of Investors in People UK, a government-supported body promoting the IIP programme. "There is reduced absenteeism and staff turnover and tangible improved productivity, reduced waste and increased profitability."
Bringing in outside consultants is

not easy for any entrepreneur, par-ticularly one like Coulter who has taken an unconventional route. Coulter and his then wife had decided to move to Dorset before they had any idea that they would start a laundry business.
"We thought of opening a shop but
we didn't have enough capital and had to fall back on our experience and what we knew best," says Coul-

Having started and subsequently bought a local laundry business, Coulter proved it was possible to build a thriving business in an industry where there were rela-

tively low bars to entry. Coulter knew he had to change from an entrepreneurial to a professional management style. But the IIP programme exposed him to some blunt criticism. "A customer once said I was an autocrat trying to be a democrat," Coulter says. The IIP consultant was broadly of the same opinion

"I am having to learn to delegate and by delegation I mean you have to train people to develop themselves," Coulter says. He is also worried about losing

his contact with customers, the basis for the growth of his business. "The process is supposed to be get-ting us closer to customers," he says. "Some people are getting closer but others, like me, are getting more removed." He is having to learn to let his

management team take the reins. No doubt, now that he has recognised this need he will read a management tract that tells him entre-preneurs need to let go if their sinesses are to grow.

Midlands funds: spoilt for choice

Paul Cheeseright on the proliferation of finance

ew funds and fresh schemes to help small companies have been proliferating across the Midlands with such bewildering confusion that concern is growing about fragmentation. The problem now may be not that there is inadequate finance to help aspiring executives, but that there is too much choice. The initiatives have one thing in

common. There is a clearing bank involved somewhere. Since the end of September, <u>Midland Bank has begun two</u> funds for start-up businesses, one of 2300,000 with Birmingham Venture, part of the Chamber of

Commerce, and another of £260,000 with Birmingham Training and Enterprise Council. Lloyds Bank has joined with six government funded agencies and local solicitors and accountants to set up the £550,000 Arrow Fund to help the small, growing business. Barclays, as the agent for the European Investment Bank, has emerged with a rebate scheme

companies using lease finance and creating jobs at the same time. There is more to come. National Westminster Bank shortly will announce that it is beading a group of 18 private-sector groups providing £2m largely to fund a Business in the Community plan to foster voluntary sector commercial projects.

which provides cash for

In January, Aston Reinvestment Trust, the nascent community bank for east Birmingham, will hold its first board meeting. Among the institutions to which it is talking about funding are Co-operative Bank and National

In February, the University of Central England will outline a project to help potential fast-growth businesses where senior managers, already in employment, are seeking to break out on their own; behind it will be Midland Bank and 3i, the venture capital group.
This intensity of clearing bank

interest at an end of the market which historically banks have tended to find difficult, time consuming and risky is not confined to the Midlands. Banks give local shape to national plans. Midland, for example, has 30 local losn funds. Indeed, the banks appear now to

be competing for business which previously they eschewed. "All the banks see the value of being involved," said Mike Conroy, a small-business specialist at Midland.

It is a sharp change from two years ago when banks were pilloried for what was perceived to be their indifference to an affing small-business sector. It is the result of a confluence of circumstances.

The government's 1993 Competitiveness White Paper played a part with its stress on encouraging banks to provide a wider range of products. The banks' own desire, after the criticism of the recession years, to escape the charge that they would only lend against the collateral of physical assets chimed with that urging of the government.

The banks also met a movemen from another angle. David Hall of Business Link Birmingham explained that the subsuming of the Enterprise Allowance scheme into the government's Single Regeneration Budget meant that local Tecs, Business Links and councils were looking for new funds. The banks found ready partners to act in a sector where the personality and prospects of a potential borrower are more significant than his assets. The vehicle of partnership proved to

be the loan fund.

The fact that organisations such as Tecs and Business Link had the facilities and willingness to school potential borrowers through the writing of business plans meant that the banks could deal with the fund clients at one remove.

The banks could administer the loans but they were spared the time-consuming task of giving pastoral care to borrowers with a negligible business track record.
They had a comfort factor,
somebody to look after their money for them.

Certainly, the banks are unlikely to make much profit out of the funds. The Midland funds and the Arrow fund offer loans at 1 per cent above bank base rate, the sort of interest charged to blue chip multinationals.

BUSINESS OPPORTUNITIES

rieadiers are recommended to seek appropriate professional advice before entering into commitments

Strategic partnership Major multi-disciplinary Danish consulting firm with

sizeable international activities is looking for a strategic partnership with British consultants through acquisition. Relevant key areas of activity are:

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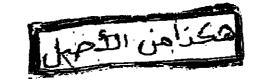
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> For further information please write to: "Robin F. Clark & Co., 4 The Parade Wrotham Road, Meopham, Kent DA13 OJL.

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CALL FOR EXPRESSION OF INTEREST FOR THE PURCHASE OF THE GROUPS OF ASSETS OF HYMOFIX HELLAS S.A. of Athens, Greece

'ETYRNIKI KEPHALSOU S.A., Administration of Assets and Liabilities", of I ELIMINAL REPLACESUO S.A., Administration of Assets and Liabilities", of I Skouleniou Str., Athens, Greece, in its capacity as Liquidator of "HYMOFIX HELLAS S.A.", a Company with its registered office in Athens, Greece (the "Company") presently under special liquidation according to the provisious of Article 46a of Law 1892/1990 by virtue of Decision 5104/94 of the Athens Court of Annual Living internal according to the provisious of Article 46a of Law 1892/1990 by virtue of Decision 5104/94 of the Athens Court of Appeal, invites interested parties to submit within twenty (20) days from the publication of this Notice, non-binding written Expressions of Interest for the purchase of one or all of the groups of assets described below.

BRIRF INFORMATION

The Company was established in 1958. On 7/11/94 it was placed under special idquidation occording to the provisions of article 46a of Law 1892/1990. Its objects included the production of fruit juice, tomato paste, tomato juice, compotes, vegetables and whole tomatoes (tinned) and fruit purce.

- GROUPS OF ASSETS OFFERED FOR SALE A factory, standing on a plot of 30,750 sq. m. located in Pella, Giannitsa, together with the machinery and mechanical equipment, contained in it. This is believed to be rented by a third party. The Company's trade name is also included in this group of asse
- A factory, standing on a plot of 8,530 sq. m. located in Tymavos, together with the machinery and mechanical equipment contained in it.
- 3. A plot of land equal to 2,695 sq. m. located in Thessaloniki, together with the
- 4. Other Assets: Agricultural plots of land covering an area of 394 sq. m. in Xerokahos. b. Agricultural plots of land covering an area of 199,9 sq. m. in Lexena N. Ellas.
- c. Agricultural plots of land covering an area of 241,1 sq. m. in Savalia, N. Ellas. The above agricultural plots of land are being rented by third parties.

SALE PROCEDURE

The sale of the assets of the Company shall take place by way of Public Auction in accordance with the provisions of Article 46a of Law 1892/1994, as supplemented by art.14 of Law 2000/1991 and subsequently arrended and the terms set out in the Call for Tenders for the purchase of the above assets, to be ublished in the Greek and foreign press on the dates provided by the law.

SUBMISSIONS OF EXPRESSIONS OF INTEREST - OFFRRING MEMORANDUM - INFORMATION

For the submission of Expressions of interest, as well as in order to obtain a copy of the Offering Memorandum for each of the above groups of assets, pleaso contact the Liquidator 'ETHINIKI KEPHALEOU S.A. Administration of Assets and Liabilities", 1 Skouteriou Str., 105 61 Athens Greece, Tel: +30-1-323.14.84-7, fax: +30-1-321.79.05 (attention Mrs Marika Frangakis) or the Liquidator's agent, Mr Konstantinos Kyriakis, 120 Solonos Str. Athena, Tel: +30-1-381.68.29.

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Department of Trade and Industry

THE LABORATORY OF THE **GOVERNMENT CHEMIST:**

PRIVATE OWNERSHIP

The Department of Trade and Industry intends to transfer the Laboratory of the Government Chemist (LGC) to private ownership by April 1996 either by a non-profit distributing company or through a commercial sale of the business. The DTI's aim is to ensure that LGC transfers as a financially and scientifically viable organisation, retaining its statutory role and its reputation for independence and impartiality, and continues to support the National Measurement System and other major public sector programmes.

The Laboratory

LGC has been an Executive Agency within the Department of Trade and Industry (DTI) since October 1989. It employs about 300 people and has a

turnover of about £16 million. The Laboratory is the focus for analytical chemistry and related sciences in Government and the centre for the development of the chemical National Measurement System. It provides high quality services and advice to underpin the work of Government, commerce and industry related to forensic science, trade and revenue, the environment, food and agriculture, health and safety, and innovation and quality.

Basis of a Sale An essential feature of the Laboratory's work is its independence from influence by any other party. This includes in particular the statutory responsibilities of the Government Chemist and the Laboratory's role to carry out analyses to discharge these responsibilities.

for private sector customers, makes use of the skills and facilities associated with these responsibilities, while strictly observing the independence required by LGC's customers. This position will need to be maintained in the future as new commercial opportunities are pursued. While the DTI is pursuing the establishment of the Laboratory as a company limited by guarantee, it would like to hear from relevant organisations in the

The remaining work of the Laboratory, including its commercial work

private sector with experience of meeting a strong requirement of independence, who would be interested in a commercial sale of the business.

Expressions of Interest If you would like a copy of LGC's Annual Report for 1993/4 and a note with further information, please write to Bob Collier, DTI Laboratories Unit, Room 314, 151 Buckingham Palace Road, London SW1W 9SS. (Telephone:

071-215 1989. Fax: 071-215 1400). Organisations interested in purchasing the Laboratory as a business should write to Bob Collier at the DTI no later than 9th December 1994, setting out

their initial qualifications and the rationale for their interest. The Department reserves the right not to pursue further the commercial sale of the business if it is not satisfied that a purchaser can remain free from any sale of the outsides in the preserve LGC's independence and impartiality. If the conflict of interest and preserve LGC's independence and impartiality. If the Contract of interest and present it will decide which intending bidders to Department can be so satisfied, it will decide which intending bidders to Department can be so satisfied them further details in an Information include on a short list and will send them further details in an Information Memorandum as the basis for preparing bids.

The State Property Agency (SPA) invites an open, one-round tender for the sale of the state-owned shares of Balaton Füszért Kereskedelmi

Balaton Füszért Kereskedelmi Részvénytársaság is a public limited company, its shares are listed on the Budapest Stock Exchange. Its main profiles are wholesale and retail trade of foodstuffs, household chemical goods and basic groceries. Balaton Füszért has modern warehouse bases in two county scats, in Kaposvár and Zalaegerszeg and several discount and cash and carry stores

and supermarkets. The registered capital of the plc. is HUF 1,330,000,000, that is one billion three hundred and thirty million Hungarian forints, 54,68 percent

of which is in state ownership. The SPA's primary aim is to find a strategic investor, skilled in trade, who, by capital increase and by the purchase of a block of the state owned shares will acquire at least 51 percent of the firm's shares. The capital increase can only be submitted to and approved by the shareholders' meeting following the announcement of the result

of the tender. Each bidder will have to submit two bids:

- a) one for the capital increase (to the extent indicated by the Investor) and for the purchase of a share package from the SPA in a way that the shares acquired altogether ensure an
- b) and another for the purchase of 51 percent of

The Tenderer prefers to offer the share capital increase as oppose to purchasing the shares.

The price expected by the SPA is 115 percent of the nominal value of the shares (bids quoting lower price, however, are not void). The minimum extent of the capital increase is HUF 200,000,000 and can only be performed in cash. In the bid the subscription rate of the shares issued in the course of the capital increase should correspond to the buying rate of shares bought from the SPA.

90 percent of the bid price must be paid in cash, 10 percent in compensation coupons. Foreign investors must pay the total purchase price in

Bidders must deposit HUF 30,000,000 as retention money. A certificate of deposit of the retention money should be attached to the bid.

We hereby announce that the shares of Balaton Füszért were admitted to the Budapest Stock Exchange in May 1994. The present ownership structure of Balaton Füszért is as follows:

13,51 percent **Municipalities** 17,83 percent **Employees** Institutional and private investors 13,98 percent

Attila Tóth, deputy director (in Hungarian) telephone: (36-1)-267-0054 telephone: (36-1)-267-0084

Bids should be submitted to the given address in a sealed, unmarked envelope, in three copies, in Hungarian. Foreign investors may submit their offers also in English or German, but the

"Pályázat Balaton Füszért" must be written on the envelope.

The tender documents containing the detailed conditions of participation and the introduction of the firm are available at the Customer Service of the State Property Agency. The price of the tender documents is HUF 30.000 + VAT.

March 1, 1995. between 10.00 and 12.00 a.m.

Room 804

Pozsonyi út 56.

Please write to: Box B3560, Fluencial Times, One Southwark Bridge, London SB1 9HL STATE PROPERTY AGENCY

TENDER INVITATION

foreign currency.

Részvénytársaság (Balaton Füszért Trade Plc.) (H-7400 Kaposvár, Füredi u. 1.)

ownership ratio of 51 percent for the Investor. the present share capital (HUF 678,300,000)

54,68 percent

For further information please contact:

Michael Stanton, advisor (in English) Gregory Martin, advisor (in English) telephone: (36-1)-269-8600

Hungarian copy will rule.

Deadline for submitting bids:

Place to submit bids: Állami Vagyonügynökség (SPA) H-1133, Budapest

HUNGARY: PRIVATISATION GOES ON

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PEOPLE

Davidson Kelly quits Lasmo

Lasmo, the oil explorer which earlier this year repelled a hostile bid from rival Enterprise Oil, vesterday announced the surprise departure of its charismatic corporate development director. Norman Davidson

Davidson Kelly, described by colleagues as possessing a "certain bounce and flair", is expected to receive a pay-off of less than £500,000.

Davidson Kelly was widely acknowledged to have been the architect of most of Lasmo's largest deals in the past few years. He arrived through Lasmo's 1979 takeover of Oil Exploration Holdings and joined the board in 1986.

Joe Darby, Lasmo's chief Nolan, general manager, and

executive, says Davidson Kelly's departure came as a result of an organisational review following the Enterprise bid. "The bid helped us to focus on what we needed to do in the future," says Darby. This included "clarifying reporting lines and responsibilities".

Davidson Kelly's responsibil-Ities included finance, investor relations, and developing new husiness opportunities. These functions would now be divided between Paul Murray, appointed general manager corporate finance, who will report to the recently appointed finance director, Dick Smernoff, and a new business team comprising Peter

Tom King, director.

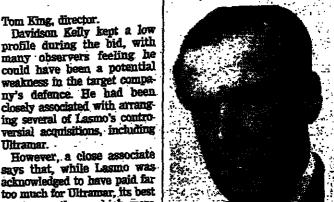
Davidson Kelly kept a low profile during the bid, with many observers feeling he could have been a potential weakness in the target company's defence. He had been closely associated with arrang-

versial acquisitions, including Ultramar. However, a close associate says that, while Lasmo was acknowledged to have paid far too much for Ultramar, its best assets are those which were

acquired in the deal. Davidson Kelly, whose annual salary was in the region of £180,000, was on a three-year rolling contract.

directors

| Non-executive



■ Godfrey Jillings (above), formerly chief executive of Fimbra and deputy chief executive of PIA, at DBS MANAGEMENT. Timothy Curtis, chief

executive of Telemetrix, at DOBSON PARK INDUSTRIES. Richard Robinson, and of Forbes Schroder & Co, at The KYLE AGENCY. Edward Marris, formerly

md, as chairman at LEEDA Philip Kaye has retired from CITY CENTRE RESTAURANTS. David Hewitt has retired

from COLORVISION. Philip Girle is retiring from SOUTHERN WATER. Robin Burleigh, senior

partner of Clifford Chance, at FIRST NATIONAL FINANCE CORPORATION. Peter Molony at ALLIED LEISURE.

Ted Tilly, chief executive of the Consolidated and Financial Insurance Group, at MARCHANT & ELIOT

commercial director of Central Television, as chairman at MORTON HODSON. EDINBURGH JAVA TRUST.

American Premier's non-standard automobile group, at its subsidiary INSURANCE (GB). Philip Barth at

 Bavid Linnell as chairman at YRM in succession to Tony_ Hunt who remains on the board but steps down to take operational responsibility for the structural engineering

CURRENCY FUND; David Gibbs has resigned.

Winning post in Darby's sights

Gavin Darby is expanding his territory within the Coca-Cola empire. President of Coke's northwest European division, he is picking up Great Britain and Ireland (north and south) at the turn of the year. They join France, Belgium, Luxem-bourg, the Netherlands and Denmark in his portfolio.

He takes over from Penny Hughes, Coke's president of Great Britain and Ireland. who has decided not to return from maternity leave after her baby arrives in April. One of the highest flying female executives in the UK, Hughes, 35, wants to concentrate for a while on family rather than business commitments.

Darby, 38, is moving from Brussels to London to manage his expanded brief. This will be the fourth configuration of

from London within 10 years. he said.

"We often group divisions around the experience of the leader and I've spent half of my 10 years with Coca-Cola in the UK," he says. With strong teams of country managers, it is easy to make such shuffles, he added. Born in London and educated at Manchester University, he worked in the UK for Spillers Foods and S.C. Johnson before joining Coke in

Coke remains the largest single UK grocery brand with gro-cery sales of about £260m, according to Nielsen, the mar-

Darby says the biggest task for him - and indeed Coke anywhere - is to get more people to drink its soft drinks rather

than other beverages of any kind. "Competing for the consumption occasion" is the phrase that gets Coke pulses racing. In per capita consump-tion terms, the UK and other European countries are still virgin territory for soft drinks compared with the US. Another adrenalin-inducing

phrase might he Virgin Cola, launched recently by Richard Branson and Cott Corporation. But Darby says competition helps stimulate the whole market and anyway Coke always gets the lion share of any With Branson likely to have

a glass of his own in his hand in every picture, the competition could be brisk. But Darby's not bothered. "We always feature Coca-Cola as the hero, the star." Roderick Orum

The art of persuasion at TransTec

Tomkins executive who was appointed chief executive of TransTec just three weeks ago. has persuaded two of the unsuccessful applicants for his job to join the specialist engineering group.

Peter Summerfield, 47. (far right) who is to be managing director of the newly formed manufacturing division, joins from British Aerospace, where for the past five years he has been managing director, operations, for the regional jet business at Avro. The other



neer who has held a number of senior positions at GEC's Avery subsidiary. He will head up the new controls division. Carr, 41, said the pair took

some persuading. They are both highly qualified managers with their own egos, But I

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REPUBLIC OF POLAND

MINISTER OF PRIVATIZATION

Invites Tender Offers Concerning Purchase of Shares in Share Capital of the Cosmetics Factory "Pollena - Uroda" **Joint-Stock Company** The Minister of Privatization, acting on behalf of the State Treasury of the Republic of Poland, in accordance with Art. 23 of the Law on Privatization of State - Owned Enterprises of July 13, 1990 (Dz.U. nr 51/90 item 298 with further amendments) invites tender offers of potential investors interested in purchasing shares constituting at least 10% of share capital

According to Art. 24 of the Law on Privatization of State - Owned Enterprises a stake of up

to 20% of shares in share capital of "Pollena - Uroda" S.A. will be offered to the Company

According to the Resolution of the Council of Ministers, no. 86 of October 4, 1993, a stake of

5% of shares in share capital will be retained by the State Treasury as the State Treasury

in addition, it is expected that a stake of shares will be rendered accessible to small investors

The Cosmetics Factory "Pollena - Uroda" Joint Stock Company with the seat in Warsaw, Poland is the leading Polish manufacturer of cosmetics, particularly skin and hair care

Any requests and response of potential investors being interested in proceeding with this offer should be directed till December 16, 1994, 4.00 pm to the Polish Institute of Management, Ltd. (PIM) acting on behalf of the Minister of Privatization in this project.

Address: Polish Institute of Management, Ltd. (PIM) 02-691 Warsaw, St. Obrzezna 7

phone 47 51 73; 47 55 61 ext. 434-436; fax 17 50 53 e-mail: pimplømaloka.waw.pl

Information on the Company profile will be distrubted to potential investors after signing

submission, reject submitted offers or not to undertake negotiations without explanation.

The Minister of Privatization reserves the right to extend the period allocated to offer

vision of the group. It's great that we have got them so quickly - it could well have taken six months or more and it puts us in a very strong

Carr was brought in earlier this month when TransTec's founder, Labour MP Geoffrey Robinson, agreed to split his role as chairman and chief executive following pressure from institutional investors. Previously in charge of US acquisitions for Tomkins, Carr

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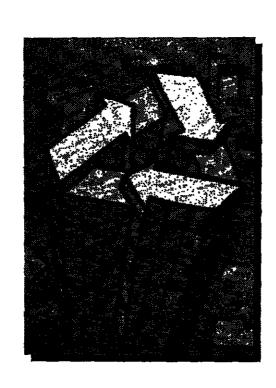
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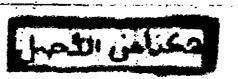
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losed on 15th December 1994, to facilitate the preparation of the payment of the half-yearly dividen on 31st December 1994. By order of the Board



UNDERWRITING.

Gerald Harris, former Bill Otiey as deputy
chairman at SWALLOWFIELD.

John Price has resigned
from QUAYLE MUNRO
HOLDINGS. ■ Michael Krause, president of ALEXANDERS HOLDINGS.

ASSELS



William Packer reviews the work of five artists in vogue during the 1950s

will stick. It was remarked in the mid-1950s that certain younger realist painters and writers were fixing upon the more unkempt and informal features of domestic life: the lovely Mary Ure at the ironingboard, the unmade bed, the lavatory bowl, the breakfast-table, the kitchen sink itself. And "Kitchen Sink" was taken up at once, and still stands, as the epithet by which to characterise much of the work. indeed the very mood, of the entire period.

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That it was only ever a partial truth would hardly disqualify so patently catchy and convenient a term. But it had its effects, even so, and not all of them benign. It might be all very well in relation to Look Back in Anger, or to John Brathy's paintings of table-tops, or Jack Smith's babies, prams and sink. But was it always quite so apropos? What about Lucky Jim or Godot? More to the point, what about the still-lifes and butchers' shops of Peter Coker, the fields and streams of Edward Middleditch, the Italian farmyards and rooftops of Derrick Greaves?

Give a dog a bad name: so when the mood of the moment lightened with the turn of the decade, and the arch and ironical references of Pop-Art replaced a supposed realist gloom, small wonder that all these painters seemed suddenly so irrelevant and passé, ripe for the rubbish bin. Greaves, Smith, Middleditch and Bratby had together represented Britain at the Venice Biennale of 1956. By the mid-1960s, only Smith, who had since "gone abstract", still enjoyed any critical

credibility at all. The critical rehabilitation, which at times amounts to rediscovery, of the painting of the 1950s has been one of the most positive and encouraging critical developments of recent years. For it reminds us that no critical orthodoxy is either per-manent or necessarily narrow, and suggests besides that good work

van Dam in London are

so rare that even the tur-

gid account of Brahms's Ein Deut-

sches Requiem at the Royal Festival

Hall on Saturday was worth catch-

ing for his performance. Van Dam –

undervalued, it seems, by Covent

Garden - ought to be a regular visi-

tor here, but at least he made a

brief appearance with James Levine

and the Philharmonia Orchestra,

bringing a few minutes of musical

sanity to an otherwise largely self-

Van Dam is one of the most musi-

cianly of singers around today, and

he gave Brahms's vocal lines

sculpted nobility. His contribution,

and that of Barbara Bonney, the

starkly with Levine's bloated con-

ception of the piece. Levine, chief of

New York's Metropolitan Opera, is

the conductor who broke almost all

records by adding an hour onto the

length of the *Ring* at Bayreuth this year, and here his Brahms was similarly distorted.

The majestic funeral march of the

second movement lacked muscular

radiant soprano soloist, contrasted

indulgent reading.

Van Dam, Levine and

the Philharmonia

ive a dog a bad name -but with art it would seem that any name eventually will receive its due. The process continues happily with this handsome show at the Mayor Gallery, in which a considerable emphasis is placed upon the role of

drawing in relation to painting. What emerges is that drawing as a discipline is no mere thing of indulgent self-expression, though inevitably the self is expressed. Nor is it simply a matter of technical mastery or demonstration, though of course skill is not to be sniffed at. Rather it is a discipline quite as much of the eye and the mind as of the hand, of observation, under-standing and enquiry. The particu-lar subject is studied, the useful record of information made, the larger composition proposed and modified through variation. It is a practical and unselfconscious busiss, out of which things of great

power and beauty emerge.

That we see all these artists as they were as young artists, is, how-ever, a shade dispiriting. For, leaving their painting aside for the moment, here is drawing of a tech-nical quality and seriousness of purpose which in those days could be assumed even from the young, but which today is entirely foreign to the experience of almost any artist under 50. We simply never see it because it is not done, nor even thought to be relevant.

he five heroes. Bratby, Smith, Middleditch, Greaves and Coker, are represented by substantial paintings of that period, including Smith's eponymous "Baby in Sink" of 1953, and they are joined in their draughtsman aspect by Henry Inlander and Bruce Tippett. And of them all, what with Bratby, Middleditch and Inlander already dead, Coker sadly now an invalid, and Smith and Tippett both now abstract painters, only Greaves is still at work in the old way. He was always the aesthete, even then as concerned with the elegant run and sweep of the line as with his nominal subject of a pregnant woman or a sleeping baby. John Bratby's remains a powerful

Philharmonia Chorus was under-

interval had been the young Yev-

was a well-upholstered performance

in the grand manner one had

thought extinct, and would have

appealed only to those who hanker

after Karajan at his most porten-

John Allison

lentingly heavy.

giants before him.



'Study of a Baby Asleep - the artist's son Simon', c.1956 by Derrick Greaves

presence, with some fine still-lifes and kitchen interiors and strong drawings. They offer a salutary reminder that a remarkable young artist has been too-long obscured by the reputation of the uncritical, self-regarding buffoon and carica-ture of himself he became in his later years. Certainly he is remembered by those who taught him at the Royal College in the early 1950s as still one of the most gifted

draughtsmen ever to pass through the painting school. But the star of the show is Peter Coker, with but one large painting of an apple tree, of 1956, and a sequence of ravishing drawings, of trees and landscape, of dead fish and hare and chickens, of butchers heaving carcases about, and of his baby son asleep - for they all drew and painted their children. And the

rest, make the very point that drawing too, and with a wonderful economy, can aspire to the condition of true art. He is one of the great unacknowledged painters of our time, and it is time we put that right.

The Kitchen Sink and the Beaux

Arts Gallery: Mayor Gallery, 22a Cork Street W1 until December 23, young Coker's drawings, above the in association with Julian Hartnell.

Recital/John Allison

Arkhipova and her protégé

ast Thursday was Russian Opera Night in London: pportunities of hearing tautness, and seemed more like a musical picture of the throbbing of *Khovanshchina* unfolded engines on a slowly cruising ocean at the Coliseum, the great liner. The strong singing of the Russian mezzo Irina Arkhipova was holding her Wigmore Hall mined at every turn by Levine's audience spellbound in a square conducting, the fugal pas-sages in particular emerging as pon-derous exercises in counterpoint. programme devoted mainly to Rimsky-Korsakov songs. Arkbipova, doyenne of Russian

Fortissimos were all equally, unresingers, is nearing the end of a The concert was certainly a performing career that has taken starry one: the soloist in Beethher throughout the world and made her a heroine in her homeland, and oven's Emperor Concerto before Thursday's recital, latest offering geny Kissin, perhaps the outstand-ing pianist of his generation and in the Kirov-Maryinsky Series, may well turn out to have been her final appearance on the London one already tipped to inherit the mantle of the Russian keyboard platform. She was in remarkably good vocal shape: though she of His playing had all the stature course no longer commands the power and poetry in equal measure powers of her prime, every phrase - that suggests, but Levine drained the music of dramatic vigour. This was song with warmth and

dramatic intensity. Arkhipova's programme was also an imaginative contribution to the 150th anniversary this year of Rimsky-Korsakov's birth. The composer's 80-or-so songs are scandalously undervalued, far more neglected even than those of

Tchaikovsky or Rakhmaninov, and

they form an equally rich body of masterfully characterised literature. Spanning most of his stylistic attachments and - like artists' sketches to finished paintings - contain the essence of deas developed in the operas. Above all, with texts drawn from writers including Pushkin, Lermontov and Alexis Tolstoy, many of Rimsky's songs are musico-poetic gems.

Te heard 17 of them, and Arkhipova's performances made clear their range of expression. With rich tone flowing effortlessly, the mezzo sounded in "Not a sound from the sea" like the proverbial voice of Mother

Arkhipova traversed a range of feeling, from the melancholia of the 'Hebrew Song" and sultriness of "Southern Night" to the gentle simplicity of "Quietly evening falls" and bursting happiness of "The lark sings louder". One savoured each equally, yet the exquisite "The clouds begin to scatter" was a highlight of the evening, Ivari Ilva provided

widened to include music by two of Rimsky's colleagues, Mussorgsky and Borodin, and to allow Arkhipova to introduce one of her protégés, the Bashkirian bass Askar Abdrasakov. Together they sang the duet for Maria (one of the mezzo's most celebrated roles) and Dosifey from Khovanshchina, before the spotlight was turned on Abdrasakov in his imposing performances of the Trepak from Sonas and Dances of Death. Konchak's aria (Prince Igor) and the Viking Guest's song

(Sadko). All revealed an instrument dark, full-toned and focused - of astonishing maturity for a singer so young. Abdrasakov is onbtedly a name to watch, and his presence here was an indication of Arkhipova's generosity and dedication to the future of her art.

The Maryinsky-Kirov Series is supported by the Regent Hotel (London) and British Airways (St Petersburg).

Theatre/Alastair Macaulay

Raising Fires

a play that concerns farming the folk I myself come from are all farmers near Manningtree and since they present a valuable contrast to the popular conception of "Essex person". Indeed, Raising Fires, a new play by Jenny McLeod, is also about rural arson, and in my time I have stood by flaming strawstacks ignited by arsonists.

But Raising Fires is not the play to raise Manningtree-consciousness. It is merely a muddled melodrama, and dismally close to mimicking the bygone witch-hunting depicted in Arthur Miller's The Crucible. Set in Elizabethan times (Manningtree is mentioned in Shakespeare), it shows how young Marshall Loder has married one woman, Ruth, to advance his own political career, though having made another girl, Tilda Hubbie, pregnant; and it then shows how the women of the community make Tilda out to be the witching culprit of the mysterious local fires. The twist is that Tilda is black.

Tilda is conceived entirely as a p.c. victim - famale, black, inno-cent, loveable, maligned. ("The first thing I remember is other people.") Men have used her for their various purposes all along (Minister Hubbie in adopting her, his son Daniel and Marshall Loder in making love to her); and now women pick on her too. "Women look, men touch," she says. But it is peculiar how long we wait until Tilda's colour is properly mentioned (nor is it ever seriously discussed); and yet that, in a trice, becomes the reason why she s picked on as a witch.

The thumbscrews are tightened when Ruth Loder, aware that her husband has impregnated Tilda, bit-terly testifies that Tilda is both witch and arsonist. Marshall Loder, a standard male hypocrite who wants political advancement At the Bush Theatre, W.6.

Ttill behaves me to speak ill of through his wife's father and sex with Tilda, vacillates. What will he folk near Manningtree, since do? Actually, it doesn't matter, for he proves as helpless in the face of mob hysteria as Tilda. Tilda is packed off to her death. Someone ends by saying "God --we-will answer for this." A more serious play might have shown them answering for it, or might have made Marshall Loder's dilemma more interesting (by making him a more interesting character), or might not kept its focus more thoroughly on Minister Hubbie (who promises damnation or paradise for the pettiest sins or virtues, but who has kept Tilda irresponsibly pas-

> But everything here is clumsy. The language commutes wretchedly between mock-period ("At such a sight the sickness inside me was so great", "Four bables I had in my arms") and naturalistic modernity ("This is not what I need", "I say Bugger the father"). The conflict between Minister Hubbie and Judge Fury suggests a church v. law con-flict that is inadequately investi-gated. The roles that Daniel Hubbie and Grace Turvey play in the offs-tage action are insufficiently clear. And the names! Hubbie this, Wife that, Grace here, Fury there. I cannot imagine why this play won a 1993 London Weekend Television Plays on Stage Award.

> Dominic Dromgoole, directing, keeps it lively, but he cannot provide depth. The same goes for his cast, which includes Robin Soans as Minister Hubble, Julie Saunders as Tilda, and Gary Love as Marshall Loder. And there is too much unnecessary shouting. In pub theatres, making the actors turn up their volume controls is the easiest way to achieve intensity, but also the cheapest.

Opera/Roderic Dunnett

The Spanish Lady

When Elgar died in 1934, one of the insufficiently, so that the intricate three major unfinished projects he plot became further confounded. left was an opera, The Spanish Lady. Is it salvageable? Arguably not. The surviving material is extensive but fragmentary, and almost beyond repair. But both Cambridge University Opera Club, and Dr Percy Young, to whose devoted scholarship we know as much as we do, are to be congratulated on having a crack at it. The Spanish Lady was staged last week as part of the enterprising Cambridge Elgar Festival.

on to which Elgar grafted texts from other sources, including Jonson's The Epicoene (on which Strauss was already working independently for Die Schweigsame Frou). Elgar's text is not merely eclectic, but butterfly-like: partmasque, part Restoration comedy, mainly morality à la Volpone (with a satirical bite rather lost here in performance).

This first full staging, in Young's conjectural completion, made for a mixed evening. What was badly needed was the kind of coherent, taut direction Joseph Ward brought to the Royal Northern College's Pilgrim's Progress. There not a flinch or quiver was wasted. Here. Adrian Osmond (Trinity), unhelped by the cramping of on-stage orchestra and the set that gave none of the intended sense of place, failed really to surmount any of the inherent.

Most first-half stage entries and exits were loose, at worst abysmal. Over-fussy or random crowd activity muddied too many focal moments. Principals projected

Character definition was weak, with the exception of Leigh Melrose's Meercraft and Keith Perry's foppish Manly, both admirably sung. The devilry of Pug (Susie Trayling) soon lost its initial promise, Even a mem-orably furny drag entry by Christopher Genz (Wittipol) as the Spanish instructress was blurred by poor blocking. Blake Applegate supplied the tidlest cameo as Engine, doubling as the duenna.

And Elgar's music? Young's The story is broadly based on Ben orchestral completion turned out Jonson's play The Devil is an Ass, attractive, but markedly "safe". Too often, the music seemed to bare scant relation to what was happening on stage. More risks needed to be taken. But where a salient feature appeared, such as the brief prominence awarded to paired clarinets and bassoon near the end, a momentary magic was unfurled.

Conductor William Lacey (Kings) gave consistently clear leads, surviving one nervous Act II moment in the upper strings but engendering some needlessly awkward pauses that detracted from overall pace. His besetting fault was a monotonous dynamic, frozen between forte and mezzo-forte. (The leisurely Handelian pacings best in the stately Sarabande) often verged on the bland: the poise of a Lully or Rameau would have been a welcome relief.

The choreographer, Darren Royston, seemed alone in sensing this his dances (with chief accolade, undeniably, to the boys) were charming, lucid and inventive.

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at 7.30 pm; Dec 1, 2 La Khovanschina: opera by Mussorgsky at 7.30 pm; Nov 29, 30; Dec 3, 4 Sadko: Rimsky-Korsakov opera. Musical director Valery Gergiev at 7.30 pm; Déc 6

BERLIN OPERA/BALLET

Deutsche Oper Tel:(030)3 41 92 49 Dialogues des Carmélites: by Poulenc, in three parts. A new production directed by Günter Krämer. Conductor Jiří Kout at 7.30 pπ; Nov 29; Dec 1 The Magic Flute: by Mozart. Conductor Foster/Lang-Lessing/ Soltesz, production by Gunter Krämer at 7 pm; Nov 30

AMSTERDAM

CONCERTS Het Concertgebouw Tel: (020) 671 8345

 Bernard Haitinic conducts the Royal Concertgebouw Orchestra, with soprano Karen Huffstodt, mezzosoprano Hanna Schwarz, and baritone Csaba Airizer to perform Schoenberg and Bartók at 8.15 pm; Dec 1, 2

 Moscow Philharmonic Orchestra: conducted by Vassili Sinaiski play Beethoven and Mussorgsky at 8.15 pm; Dec 6 Het Muziektheater Tel:(020)551 89

Die Fledermaus: by Strauss. Conductor, Ralf Weikert, production by Johannes Schaaf at 8 pm; Dec 6

GALLERIES Rijksmuseum Tel: 020 673 21 21 ● Art of Devotion 1300-1500: major winter exhibition focusing on the

spiritual function of objects in the medieval period; to Feb 26 (Not Sun)

■ LONDON CONCERTS

Barbican Tel: (071) 638 8891 Gala Concert: London Symphony Orchestra with mezzo-soprano Marilyn Home and conducted by Marvin Hamlisch. Includes Hamlisch's, 'The Anatomy of Peace' at 7.30 pm; Dec 1 Grand Operatic Evening: National

Symphony Orchestra with soprano Susan McCulloch under the direction of Martin Merry perform a variety of operatic pieces at 7.30 pm; Dec 3 Festival Hall Tel: (071) 928 8800

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The Glory of Venice: a major survey of Venetian art in the 18th century: to Dec 14 OPERA/RALLET

English National Opera

Tel: (071) 632 8300 Ariadne on Naxos: by Strauss. A Graham Vick production at 7.30 pm;

 Khovanshchina: new production of Mussorasky's opera. Director Francesca Zambello at 6.30 pm; Nov 30; Dec 3, 6 The Magic Flute: by Mozart.

Originally produced by Nicolas Hytner, John Abulafia directs this revival with conductor Alex Ingram at 7.30 pm; Nov 29; Dec 2 Royal Opera House Tel: 071 240 1200

 An Ashton Celebration: The Royal Ballet Company pays tribute to its founder choreographer, who would have been 90 this year, with a short festival of his work consisting of 12 ballets and divertissements. Performance includes a new production of Daphnis and Chloë by Ravel at 7.30 pm; Nov 30 La Traviata: by Verdi. A new

production by Richard Eyre. Georg Solti conducts for the first five performances, then Phillips Auguin. In Italian with English surtitles at 7.30 pm; Nov 29; Dec 2, 5 Mixed Programme: includes Fearful Symmetries choreographed by Ashley Page, and Symphony in C by Bizet, choreographed by George Balanchine at 7.30 pm; Dec 1, 6

 The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Dec 3 (2 pm) THEATRE

Barbican Tel: (071) 638 8891 New England: World premiere of Richard Neison's new play. No performance 12-15th Dec. otherwise at 7.15 pm; from Nov 29 to Dec 29 (Not Sun)

National, Lyttelton Tel: (071) 928 2252

Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Dec 1 (7 pm), 2, 3 (2.15 pm), 5 National, Olivier Tel:(071)928 2252 The Devil's Disciple: play by Bernard Shaw, directed by Christopher Morahan. Sat and Tues

mat at 2.00 pm; to Nov 30 (Not Sun) **Wyndhams** Tel: (071) 369 1736 Three Tall Women: by Edward Albee, directed by Anthony Page. With Maggie Smith, Frances de la Tour and Anastasia Hille at 8 pm; (Not Sun)

■ NEW YORK

GALLERIES **Netropolitan**

Origins of Impressionism: 175 paintings by Parisian artists of the 1860's, to Jan 8 (Not Mon) Museum of Modern Art Tel: (212) 708 9480

 A Century of Artists' Books: Exhibition of 140 books from some of this century's foremost artists; to Jan 24

OPERA/BALLET Metropolitan Tel: (212) 362 6000 Don Giovanni: by Mozart, sung in Italian at 8 pm, Dec 2, 6 Lady Macbeth of Mtsensk: by Shostakovich at 8 pm; Nov 30;

Dec 3 Madama Butterfly: by Puccini at 8 pm; Dec 1, 5 Rigoletto: Italian opera by Verdi at 8 pm; Nov 29; Dec 3 New York State Theater Tel: (212) 870 5570

■ The Nutcracker: by Tchaikovsky, performed by the NY City Ballet. Tue-Thu 6pm. Fri 8 pm. Ring for other times and matthees; from Nov 30 to Dec 31 (Not Mon) THEATRE

Gershwin Theatre Tel: (212) 307 4100

 Show Boat: by Harold Prince, choreographed by Susan Stroman. Cast includes John McMartin, Elaine Stritch, Rebecca Luker and Mark Jacoby at 8 pm; (Not Mon) Promenade Theatre Tet: (212) 239

 Three Tall Women: Edward Albee's Pulitzer Prize winning drama about a 92 year old widow contemplating her life. Sun. 3pm, otherwise at 8 pm; (Not Mon)

WASHINGTON CONCERTS

Kennedy Centre Tel: (202) 467 4600

 National Symphony Orchestra: conducted by Eiji Oue play Mahler and Tchaikovsky at 8.30 pm; Dec 1, 2 (1.30 pm) , 3, 6 (7 pm) GALLERIES

Phillips Collection Tel: (202) 387 2151 Pictographs of Adolph Gottlieb;

exhibition of one of the founding members of the New York School: to Jan 2 OPERA/BALLET

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THE FT INTERVIEW: Jacques Toubon



"My great desire is *not* to prevent the French from ever language they like," says

the man whose name, Jacques Toubon, will for ever be attached to the law of August 4 1994, regulating the use of the French language.

"What I want is to make it just as modern, just as - dare I say it? - 'fashionable' to speak French as to speak English." Had the minister of culture

and "francophonie", now known to many of his compatriots as "Jack Allgood", just broken his own law by using an English word while speaking in his official capacity and on public premises? That would be for the courts to decide, if anyone prosecutes.

The official glossary of French words which Mr Toubon wanted to append to his law was struck out by the Constitutional Council as an infringement of the "free communication of thought and of opinion" proclaimed by the Declaration of the Rights of Man in 1789. This means that "you can still oblige people to speak French, but they can speak whatever French they like - which obviously leaves it to the courts to decide, in the last resort, what is French.

Mr Toubon is a close ally of Mr Jacques Chirac, the Gaullist mayor of Paris, former prime minister and now for the third time presidential candidate. But he insists his language policy is part of a general strategy adopted by the Balladur government, aimed both at developing French culture abroad and at strengthening the links within the French-speaking world, of which the most important is of

course the language itself.
Indeed, he claims the loudest demand for action to defend French in France came from other French-speaking countries, which are anxious to join with France "in proposing an alternative to the Anglo-Saxon model of the universe". And he clearly relishes the task of defending this alternative in an interview with the Financial Times, a newspaper seen by many French people as heading the Anglo-Saxon invasion of the continent.

'I'm a strong believer in learning foreign languages," Mr Toubon declares, "What I don't want is a language which would be neither a foreign lanMind your language



Toubon: Tm a strong believer in learning foreign languages."

Trade and Tariffs, preserving

France's right to subsidise its

film industry and to reserve a

part of its air time for Euro-

pean products. In the same

spirit he is now engaged in

another battle, aimed at ensur-

ing the European Union as a

whole takes advantage of this

"cultural exception" and acts

to preserve the diversity of

culture, is now bringing for-

ward plans to tighten Euro-

pean broadcasting quotas and

to ban advertising on new elec-

Mr Toubon accepts that

some countries, such as

Britain, will choose not to

implement the 1989 "television

without frontiers" directive,

which says that a majority of

TV programmes shown in

Europe should be European-

made. But, he insists, countries

such as France which do apply

the directive must be able to

apply it to all TV signals they

receive, as well as those which

Otherwise, he says, someone

like Mr Ted Turner, the US

media magnate, can broadcast

they produce.

For more than a century and a half, Patek Philippe has been known as

differently. It is made using skills and techniques that others have lost

or forgotten. It is made with attention to detail very few people would

notice. It is made, we have to admit, with a total disregard for time. If

the finest watch in the world. The reason is very simple. It is made

tronic information services.

argely thanks to French pressure Mr

loao de Deus Pinheiro.

EU commissioner for

European culture.

French, English, Russian - but as languages, in the plural. I want the English of Shakespeare, not of Microsoft."

His nightmare is that in 50 vears France would have a "tribal" linguistic structure. with executives speaking English, immigrants speaking their own languages, ordinary people speaking "the language of television - 400 words, with every kind of sloppiness", and "in the middle the language of the administration ... and perhaps the language of intellectuals and professors".

This, he says, would be "a catastrophe: it would mean that our society, already torn apart by so many other things, would not only tear itself apart but the fragments would be incapable of understanding each other"

Mr Toubon brushes aside the argument that language cannot be decided by law. In France, he says, "the state has always had its word to say", ever since the 17th century when Richelieu instituted the French Academy.

It was in this spirit that he fought his successful battle last year to keep cultural products, especially film and television, outside the purview of the General Agreement on

from UK territory by satellite into Europe, including those countries which apply the TWF directive, whatever pro-grammes he likes, including 100 per cent American cartoons". France has banned Mr Turner's products from its cable network, but the legal status of this decision is Mr Toubon wants the EU to

ban such unauthorised crossfrontier broadcasts, and also to extend the directive to cover "new information techniques, namely those which are generally called multimedia". He also wants to expand the EU media programme to give increased EU and national aid to the production, and especially the distribution, of European films "and, by extension. to the films of countries linked to Europe, for instance the southern film industries in Africa, Mexico, Brazil, etc".

His object, he explains, is "to maintain the diversity of film production in the world". He rejects the suggestion that "all you need to do is make films that people actually want to see", arguing it is up to states, and by extension the EU, to ensure that people can still enjoy a real choice of films and television programmes rather than being limited to ones which reflect "the same model, the same state of mind, the same aesthetic".

In this spirit he wants to negotiate a convention with other governments to make the mutual recognition of high school diplomas conditional on their inclusion of a compulsory second foreign language, alongside the inevitable English. Obviously he hopes that in many non-French-speaking countries French would be the most popular choice, but he suggests that Spanish and German also have much to gain.

Mr Toubon hopes to enlist the support of the German presidency for these ideas during the Franco-German summit in Bonn today and tomor row, which he will attend After that he plans to use the French presidency to push them forward early next year. leaving his fellow-Latins from Spain and Italy to finish the job. He knows he has a fight on his hands with the UK government, but claims to have heard that even British delegates in Brussels are now adopting 'more conciliatory" positions.

Edward Mortimer and David Buchan

Joe Rogaly

Life raft for parties



membership of the European Union will be promised by all three national political parties at the next general election.

Sure it will. Their respective leaders might deny any such intention, for the "in or out" question has not been tabled by any of them, not in so many words. It need not be. Circumstances will decide that. The Maastricht treaty allowed specific opt-outs for Britain (and indeed Denmark), but there is no guarantee that such jiggerypokery will be possible when -if - there is a Maastricht II. If the rest of the EU moves towards further integration and Britain stands back, that

will be as good as an "out" vote, it would certainly be seen as such during the campaign.
Support for a plebiscite
based on an overtly more innocuous question than "stay or go" is accumulating. The latest platoon to arrive was heralded in an interview with Sir James Goldsmith on BBC Breakfast with Frast on Sunday. Sir James offered to fund new British political party "the purpose of which is only one item to have a referendum". Our European Perotista need have no fear. He will not be called upon to lavish millions on a lost cause, as was Mr Ross Perot in the 1992 US presidential election. He

exist. He may not be a serious political figure, but he will have his referendum, gratis. We can count the reasons on three fingers. The Liberal Democrats have promised to consult the people if the intergovernmental conference of 1996 agrees on significant changes to the constitution of the EU.

should not go to the trouble of

writing a cheque to a 30-day-

wonder party that does not yet

leader has placed himself in a position to promise a popular vote in much the same circumstances. This would not be expediency, you understand. It would be an expression of democracy, a means of educa-ting the British about where their government is taking them. Meanwhile the Conservatives have moved from the prime minister's original flat rejection of extra-parliamentary decision-making towards Mr Douglas Hurd's expedient

"never say never" of recent

Goodness me. What tricks the mind does play. Two long ing the tense summer when the passage of the bill to ratify the Mass-

tricht treaty seemed to be question, the proposition second, yes as elsewhere,

that a promise of a referendum on melding sterling into a single European currency would not only be constitutionally correct, it might even reunite the Conser vatives. Did I see the foreign secretary slipping that card up his sleeve, mumbling the while that he would note its usefulness? Surely not. It must be my fevered imagination.

Let us move away from such

phantasmagoria. It has been objected that a vote on the singie currency would destabilise the currency markets for the duration of the campaign. The value of the pound would fluctuate. Titch. Sterling moves every which way, every day. Contemporary markets are destabilised by everything and anything. They were pretty jumpy over the "join or not" question recently posed in Fin-

A referendum The Labour party has formally land, Austria, Sweden and, on Britain's left the matter open, but its Sunday and Monday, Norway.

Without such a popular vote the British polity might not survive - not if our Parliament, from which we feel ever more remote, took us into a single European currency before first asking our permission. As matters stand, the EU is a chib in which its members, all sovereign states, sit in constant negotiating session. It has the characteristics of a Gaullist union of nations rather than those of a sapling superstate. Create a single currency and the balance tips sharply the other way. That

would be a constitutional leap in the dark for It might be everyone. It is necessary to hold not only the two referendums British people who would about a single demand a refer-European endum first. The trouble with "do you want to defend

currency, the first to say no, the

that most people's emotional response would be that they do. Believe me, Britain will eventually join a European currency, if there is one. Busi-ness will see to that But it might be necessary to hold two referendums about it, the first to say no, the second, yes. Like the business community, the mainstream political establishment knows it can more easily win the overarching "stay or go" type of question, as it has everywhere in western Europe nearly every time it has been put. When the Danes made the mistake of voting no, they were asked again. This type of question is the "rubber life raft into which we may all have to climb", as the then Mr James Callaghan remarked when what became the British plehiscite of 1975 was first dis-

the pound?" is

Sunday and Monday, Norway. is increasing everywhere, we the planet survived. around the world, an invaluable reference work published by Macmillan and edited by David Butler and Austin Ranney. Referendums facilitated the overthrow of autocratic regimes in Chile and South Africa In New Zealand, Ireland and Italy, the voters chose electoral systems that the political leaders of the time asked them to reject. In the US, statewide voter initiatives are becoming as commonplace as national referendums have long been in Switzerland. For the most part electorates are pretty conservative. They tend to go with the established consensus. usually by a decisive majority. That is why Britain voted two to one for membership of the then Common Market in

> Whatever type of question is chosen, a referendum on Europe in 1996 might split the Conservative party. Well, yes, in a way, sort of You cannot properly divide what is already in smithereeps. True, a promise of a popular consultation might not heal the wounds evident in yesterday's debate on Britain's contribution to the EU budget. Mr Kenneth Clarke, the chancellor, merciessly thumped the sceptics behind him, leaving none unbruised But we are talking of a mere handful of Tory bitter-enders here. Surely most of the party would come together on a promise to consuit the people. As in 1975, cab-met solidarity might have to be suspended so that ministers could campaign on opposite sides. So what? They do that, covertly, now.

in sum, a properly manage ferendum is a useful, if risky, last-ditch device for getting parties out of trouble and per sceding us to vote the way the elite of the day thinks best. My

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Bribery law change in EU would remove blight on business

From Mr Peter Eigen.

the European Commission's raft of court actions to outlaw unfair practices in the awarding of public sector contracts within the European Union ("Brussels gets tough on public contracts", November 23).

Admirable though these moves are they overlook one particular anomaly: it is against the law if you bribe an official in your own country. but not if you do it in your next-door-neighbour's. And you may or may not get a tax break for the bribe you pay to an official in your own country, but you probably will do so if you pay it to an official in another. Ethics apart, this must surely be a wholly unacceptable states of aff-

airs.
The EU would do well to implement the OECD recommendations of May 1994 and criminalise foreign corrupt payments and tax deductibility

Sir, Regarding BT's exclu-

sion from entertainment ser-

vices and the superhighway. I have yet to read such an ill-in-

formed debate as has raged

over this particular technology

in your pages and elsewhere.
Fibre cables are cheap, passive and they deliver unlimited "band width" - the measure of capacity for signals. The cost and speed of laying a fibre network is deminated at the the

work is dominated not by the

electronics connected at either

end, nor the fibre itself, but by

the construction of the under-

ground ducting in which they

An entirely new network of

UK by the new "local delivery"

franchisees. These ducts bring

a fibre to within 600m of every

residential home. Nowhere else

in the world, to my knowledge,

are fibre networks being cre-

ated at this proximity to the customer, even in the birth-

for illicit payments, at least as of the Union.

Then, companies across Europe could compete with each other on equal terms, and without those who bid on their home turf having to comply with norms from which others are exempted.

Such a move would, at a stroke, harmonise the legal framework in these respects across the EU. Just as important, it would create an opportunity for developing countries to be judged by the same rules, if they so chose.

It would therefore represent a significant step towards tackling, in a positive way, one of the greatest blights on business of contemporary times. Peter Eigen,

Transparency international, Hardenbergplatz 2,

place of the "superhighway",

BT does not have to dig. It

inherited its ducts free of

charge. BT does not need a law or permission to install fibre

into its ducts. BT has the free

choice to bring fibre to within

600m of each home and

whether to connect its new

As an aside, BT is the local

delivery franchisee for the City

of Westminster. It operates a

fibre-based entertainment net-work. In this franchise fibres

were laid in existing BT ducts

Strangely, in the City of

Westminster residential cus-

tomers have a single source of

telephone line connection.

guess who? Well, it owns the

fibres to you or me.

several years ago.

ducts, doesn't it?

28 West Drive,

consultant engineer.

BT free to choose on fibre

the US.

Universal private pension plan has powerful support

From Frank Field MP, Sir, You report ("Pensions body wants saving to be com-pulsory", November 18) the support the National Associagiven to a reform which Matthew Owen and I proposed 18 months ago (Private Pensions for All, Fabian Society). The initial reaction to the idea of

two substantial criticisms. Those politicians who ideologically opposed the idea never answered the question we posed. Large numbers of people are in private schemes. How then can we equalise opportunities? The only sensi-ble way forward is to have universal private provision, and the only way to do this is through a compulsory scheme. We are pleased that this

instigating universal private pension provision was met by

approach has been backed by the Social Justice Commission. Some members of the National Association of Pension Funds made practical criticisms. Our 10 per cent combined contribution was too low for adequate pensions. We therefore proposed that employers and employees should contribute 18 per cent of the salary bill. Now the NAPF has backed our original

figure. Why?

To what extent is the NAPF's decision a soft-sell approach to employers, or a belief that a voluntary top-up would naturally occur? What range of pensions would be produced from these savings running alongside the state

Barry Riley highlights

("Waking up to the pension scheme threats", November 23) concern about the underfunding of pension schemes. We have tried to cover this point a new savings scheme, we suggested it should be made universal by establishing a National Pensions Saving Scheme. This would be separate from the state, would form a new kind of collective action, and would allow savers to own

their own savings.
Our suggested reform could not lead to underfunding as in final salary schemes. In addi-tion, mobile employees would gain a level playing field, knowing in advance the minimum pension contributions they would be expected to make and would not as many of them now do, enter detailed negotiations to see whether the pension scheme of the company they hoped to join might produce pension benefits equal

to their current scheme. Support for the idea of universal private pension provision to run alongside the state scheme, and to make contributions to both schemes compul-sory, has won powerful allies over the past year. But the debate is not an academic exercise. I hope that before the next year is out your columns will be reporting that both Labour and the Liberal Democrats are backing this proposal. Voters will then have a clear choice on reforming one of the big areas of welfare reform at the next election.

Frank Field. House of Com

Who's really in charge?

From Dr J H Mulvey. Sir, According to Robert Pes-

ton ("Treasury drops dividends probe after pressure", November 24), quoting a "senior gov-ernment official", the Treasury's inquiry initiated by financial secretary Stephen Dorrell last year into whether high dividend payments were responsible for inadequate investment has been abandoned. The government official

revealed that "it became too much of a hot potato after Lord Hanson attacked the

Can we be told who is the real First Lord of the Treasury. John Major or Lord Hanson? J H Mulvey,

The Save British Science

UK arms exports at odds with 'good governance' objectives

From Mr Tony German. Sir, The debate about entanglement between arms and aid has to date missed an impor-

tant point. Some policy makers and opinion formers seem to be assuming that, as long as there are no more explicit links between aid and arms exports,

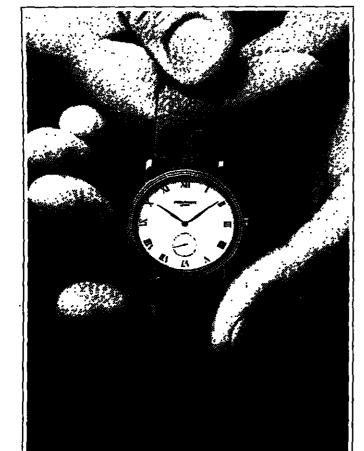
with other OECD donors, Britain approved a set of policy orientations which, inter alia, urged donors to examine contradictions between their aid and development co-operation objectives and other external policies, "including the promotion of exports of arms".

The UK has been in the foregovernment policy is quite front of promoting "good gov-coherent. But last year, along ernance", urging developing

countries to reduce military expenditure. What steps has the government taken to scale down Britain's role as a leading arms exporter, in a way that will minimise the negative impact on exports and jobs?

The foreign secretary's assurances that arms and aid have not been linked during his term of office is welcome. The next step should be for the

government to make clear how, both domestically and multilaterally, it plans to address the gulf between the "good governance" aspect of foreign policy and Britain's continued promotion of arms in developing countries. Tony German Old Westbrook Farm, Evercreech. Somerset BA4 6DS



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FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Tuesday November 29 1994

Save the alliance

The international community could not save Yugoslavia, and it has failed to save Bosnia. That failure has hovered like an evil fairy over the cradle of the European Union. Along with the parallei failure in Somalia, it has blighted efforts to make a revived United Nations the centre of a new world order. And it now seems to threaten a death blow to the ageing Atlantic alliance.

It is too late to save Bosnia as an effective country in its original frontiers. But Nato might still be saved - though it is desperately vulnerable - and it is worth sav-

Nato is vulnerable because, with the demise of the Soviet threat, it has come to be seen as a luxury rather than a necessity by many people on both sides of the ocean. That may not be such a bad thing if it leads Europeans to take Nato less for granted than they did in the past, and so to think more seriously about what they themselves can and should do to ensure their own security. But it would be no less criminally irresponsible for Europeans to imagine that they can easily do that without any assistance or co-operation from the US, than it is for them to assume that such assistance will always and inevitably be forth-

That is why the alliance is worth saving, even at the cost of some national pride and selfrighteousness. No major power, after all, has any right to feel proud or self-righteous about the situation in Bosnia. Britain and France are much given to reminding the world that they, unlike the US. have troops on the ground. But the events of the last week have cruelly demonstrated, once again, that those troops are deployed not as an instrument of policy but as a substitute for one.

Sorry mix

The US is equally prone to accuse the Europeans of betraying the Bosnian government and appeasing the Serbs. But it has never shown convincingly that it was able or willing to help the Bosnian government redress the imbalance of forces on the ground. US policy, like European policy. has been a sorry mix of indecision,

rhetoric and gesture. Senator Robert Dole, to whose words the mid-term elections have alliance.

given an authority equal to, if not greater than, that of President Clinton himself, has now called for the withdrawal of the UN protection force (Unprofor), arguing that its presence serves merely as a pretext for Britain and France to oppose any effective Nato intervention from the air. Those powers, and other troop contributors, will be sorely tempted to take him at his word.

Undeserved blame

The troops, whose mandate contains almost as many contradictions as it does Security Council resolutions, are getting a great deal of undeserved blame for not carrying out a task for which they are not equipped, namely holding back the Serb offensives and counter-offensives. They are certainly not saving Bosnia. They are saving an unknown number of individual Bosnian lives, but possibly at the cost of others if you believe (as many do) that their presence prolongs the war.
It is never the right time to pull

the troops out. Their departure could easily provol : a resumption of fighting throughout Bosnia and even beyond - though there is no guarantee that this will not happen anyway. It may also be violently opposed by one or more parties to the conflict. And it could easily be accompanied by even more bitter mutual accusations across the Atlantic than we have already heard. Those are all strong arguments against withdrawal now - except that the difficulties are likely to get greater rather than less if more time is left to elapse.

Only the risk of jeopardising a

real hope of peace would be a convincing argument for keeping Unprofor in place. And the only ground on which such hope can now be based is the acceptance of the Contact Group partition plan by both the Bosnian and Serbian governments, and the pressure exerted by Serbia on the Bosnian Serbs to do likewise. If this pressure is not seen to bear fruit within days, or at most weeks, the Serbs and their Russian protectors must understand that removing Unprofor and lifting the arms embargo will become unavoidable for the west irrespective of its effect on Bosnia, because it will be the only

All change in Whitehall

home for its unashamed elitism, Britain's civil service used to be the envy of the democratic world. It now faces an uncertain future, and could be seriously weakened if the government fails to tackle problems created by a decade of rapid structural and cultural change in Whitehall.

In a report published last week, the all-party Treasury and Civil Service committee of the House of Commons questioned the adequacy of existing mechanisms for upholding the ethical standards of the civil service. The committee recommended a statutory code of ethics setting out the duties of civil servants and the responsibilities of ministers.
It also called for a reformed

Civil Service Commission with members drawn largely from out-side Whitehall; and for reforms in the relationship between parliament and the semi-autonomous "next steps" agencies which over the past five years have taken over most of Whitehall's servicedelivery responsibilities.

These proposals are timely and should be implemented. The committee cited Gladstone's dictum that the British constitution "pre-sumes more boldly than any other the good faith of those who work it". Recent events, notably the admission by civil servants to the "arms for Iraq" inquiry that they drafted inaccurate replies for ministers, have brought that good faith into question, and support the case for a code of ethics.

The case is made well-nigh imperative by the impact of 15 years of one-party rule. When parties alternate regularly in power, permanent officials have a strong incentive not to mistake party convenience for the national interest. They are under far less pressure to separate the two when serving one set of political masters for a protracted period.

Ministerial accountability The doctrine of ministerial accountability also needs be modernised to reflect new realities. It is a nonsense to pretend that ministers can be properly accountable to parliament for the work of executive agencies for which they have no operational responsibility. As the committee notes, the gov-

eroment's attempt to draw a dis-

Although often disparaged at tinction between accountability, which cannot be delegated by ministers, and responsibility, which

can, is "unconvincing". Chief executives of agencies should be directly and personally accountable to select committees of the Commons for the implementation of their annual performance agreements. It might be advisable to go further still and give select committees a role in the appointment of agency chief executives and other senior members of quangos. Such a step could underpin the political impartiality of senior officials in agencies and quangos, and do something to redress the unhealthy domination of government over parliament which is a prime cause of much existing unease.

Contradictory signals

However, current Whitehall reforms beg two larger issues. Is the government committed to the continuation of the career civil service? If not, how does it intend to ensure that the senior civil service is schooled in the standards and ethics which today's officials mostly accept from long training?

Ministers are sending out contradictory signals in response to the first question. On the one hand, they pay lip service to open competition for top jobs, and are pressing forward with "market testing" and cuts in the number of senior officials; on the other hand, they appear reluctant to advertise many top jobs outside Whitehall, let alone to adopt the New Zealand practice of short-term contracts for senior officials inside

mainstream departments. Ministers must make their intentions clear. The official-forlife mentality of most civil servants has hitherto provided a critical underpinning for the ethics and political neutrality of Whitehall. It has also limited - although not banished - the "revolving door" problem of officials anxiously seeking outside jobs.

If Whitehall is, by contrast, to provide short career stops for an elite of high-flyers who commute between the public and private sectors, then far more attention will have to paid to questions of recruitment, pay and conflicts of interest. A statutory code of ethics would only be a first step towards

obody ever said selling off Italy's sprawling public sector would be easy, and in the past eight months a change of government, political infighting, and stock market fragility have complicated the task.

However, it will be a bitter irony if the latest and most serious government crisis derails the programme, because in the last two months the momentum of the

sell-off has picked up again. In late September, Mr Silvio Ber-lusconi, Italy's prime minister, badgered by institutional investors for a firm signal on privatisation, outlined a revised timetable.

The government has since finally found a buyer for the last morsels of SME, the state-owned foods, supermarket and catering group, which has taken nearly two years to dismember and sell. It has also appointed an international adviser for the sale of further shares in Stet, the telecommunications holding company. A committee of the upper house of the Italian parliament last week agreed a framework for independent regulation of priva-tised Italian utilities. Most importantly, ministers have proposed a two-stage privatisation of Enel, one of the world's biggest electricity companies, from mid-1995.

A simultaneous effort by the government to stimulate demand for shares, by encouraging the estab-lishment of investment funds and pension funds, is raising hopes that the state-sector culture in Italy is changing. "Demand for 'real shares' will come from Italian mutual funds not from small savers." savs Mr Gianmario Roveraro, managing director of Akros Finanziaria. a growing financial services

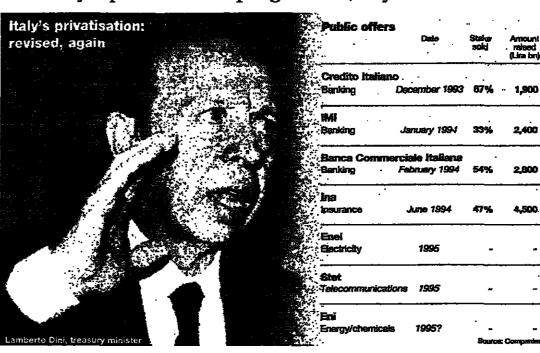
group.

One reason for the hiatus in the privatisation programme was the inexperience of the new government. Of the Treasury, Budget and Industry ministers, who are directly responsible for detail of privatisation, only Mr Lamberto Dini, the Treasury minister, was at all familiar with the procedure of committee, cabinet and parliamentary approval. It was he who signed the documents permitting the June privatisation of Ina, the Treasuryowned insurer, the only public offer of state-held shares under the Berlusconi government to date.

The delay was not particularly worrying. Mr Berlusconi's predecessor, Mr Carlo Azeglio Ciampi, was also criticised for failing to implement the July 1992 privatisation decree quickly - until late last year, when he initiated a flurry of share offers in state-controlled banks. Moreover, new ministers had the crucial 1995 budget to worry about. and, as one analyst puts it, "it's better that the big privatisations should be done well, than that they

All for a share in democracy

Political uncertainty in Italy is not expected to halt the country's privatisation programme, says Andrew Hill



should be done in a hurry".

What unsettled the markets and the managers of state-controlled companies was the way some in the new government put a party political spin on the debate when it came into office in May.

This was partly because new min-isters and members of parliament wanted to stamp their mark on privatisation policy, but also because of clear divisions within the coalition. For example, the populist Northern League wanted to see the rapid break-up and sale of state companies, encouraging competition that would benefit private industry and finance in the north of the country. The far-right MSI/National Alliance resisted the rapid break-up of state monopolies, partly, opponents claimed, in order to install its own supporters in board or senior management positions prior to privatisation.

These factions staked out positions at every level of policy, from the debate on regulation or shareholder structure to the choice of banks to co-ordinate the

Top managers in state industry

on with preparing for privatisation, and advocates of a controlled and politically neutral reduction of the state's presence seem happy again. "At the beginning and in the first months [of this government] there was strong pressure to go back to the old system," says one manag-er. "All of a sudden, that pressure has faded out."

That may be a sign that disruptive elements in the new government are settling in, or possibly that they are too distracted by crises to worry about shaping privatisation policy to their own ends. The Treasury and managers of

the state-owned companies do not believe current political turmoil will halt the programme. No mainstream party actively opposes priva-tisation. At issue has been its timing and form. And both the government and IRI, the state holding company that controls Stet, need the proceeds to reduce debt.

But the replacement of key ministers, a change of coalition, or even a general election, could seriously delay the tough timetable set by the the existing coalition survives, the task is not easy.

For example, although ministers' agreement on a plan for the sale of Enel was hailed as progress, the proposed structure of the group reflects an uneasy compromise between feuding coalition members: the Northern League wanted to break up the company and allow tariffs to vary across the country; and the National Alliance, with the support of Enel management and trade unions, backed an integrated group and single-tariff structure.

Under the government plan, there will be a single tariff. But before launching a first tranche of Ene shares around the middle of next year, the generating activities (accounting for 80 per cent of electricity produced in Italy) will have been hived off into one or more wholly-owned subsidiaries, in preparation for the sale of production capacity within three years.

This formula risks displeasing all. Enel unions staged a one-day strike last week and opponents could delay parliamentary approval of a single authority to regulate the seccurrent administration. And even if tor, setting back the timetable.

Furthermore, Enel's estimated market capitalisation of L20,000bn-L30,000bn (£11.8bn) would make it one of the largest companies on the Milan stock market, which could mean small investors find it difficult to digest. The other candidates for privatisation next year - Stet. the telecoms holding company, and the Agip/Snam energy activities of the state holding company, Eni are almost as big. The government also wants to complete privatisation of IMI, the financial services and

banking group, and Ina.
The sale of shares in state-controlled banks in late 1993 and early this year went well, but they were already quoted and the market was buoyant. The sale of nearly 50 per cent of Ina, owned by the Treasury, was received less enthusiastically, and post-sale trading was sluggish.

A solution would be to sell thin-ner slices of Stet and Enel, possibly only 10 per cent. But that would prolong uncertainty for their managements - a particular concern at Stet and Telecom Italia, its operating arm, as they need to give firm guarantees on future ownership to attract international partners.

he second problem with partial privatisation is that it could put a brake on the cultural change that the sell-off was supposed to stimulate. Already the pioneers of shareholder democracy in Italy - small investor associations, employee shareholder groups and their advisers, for example - allege the government has not done its best to release former state companies into the free market.

In the case of Ina, for example, they claim the insurance company's board is still under the control of the Treasury, which appointed 10 of Ina's 13 directors, after privatisation. They also claim that Mediobanca, the Milan merchant bank, has extended its influence over the former state-controlled banks, Banca Commerciale Italiana, and Credito Italiano, to the detriment of small investors.

The Treasury believes it can show its willingness to relinquish control by removing its direct representatives from the boards of former state companies, even partially privatised ones, as it has done at Ina. But that is unlikely to satisfy the most zealous privatisers. For them, only a convincing attempt to diffuse ownership of Italy's largest companies will do. As one Italian investment banker puts it: "Up to now, Italian industry has been managed by the Agnellis, De Benedettis, and Ferruzzis, and at the end of the day by Mediobanca - plus the state. If you don't have more players, you don't have a shareholder democracy, and that should be the main macroeconomic goal of the privatisation programme.

Bruce Clark argues that the UK could learn from French diplomacy over Bosnia

Diplomatic baggage vents in Bosnia have brought home how much Britain has to learn from France about foreign pol maintenance, as long as possible, of

icy presentation. The two countries have almost

identical attitudes to the conflict, driven by an almost identical mixture of considerations Both countries want to stop the

war spreading; to wean the Serbs off chauvinism and reintegrate them into the European mainstream; to avoid looking bad in the eves of an Islamic world concerned about the fate of the Bosnian Moslems; and to avert a humanitarian catastrophe.

Unlike the U.S. both London and Paris are more concerned with containing the war than with "punishing the guilty" or imposing a fairer

Both would agree that the status quo in Bosnia gives a disproportionate advantage to the Serbs, but neither believes that imposing justice is worth the tens of thousands of lives - and the breakdown of relations with Russia - that full-blown war against the Serbs could cost. From an identical mixture of considerations, an almost identical mixture of policies has flowed: the Bihac enclave.

a small peacekeeping force in Bosnia that eases suffering and frustrates - both directly and indirectly the outbreak of full-scale war: the exercise, by economic and diplomatic but not military means, of pressure on the parties to compro-

Why, in that case, has Britain become the object of loathing among Bosnian officials and pro-Bosnian US politicians, while France is growing in diplomatic Asking this question is not just

an exercise in petty cross-Channel bickering. At stake is Britain's long-term diplomatic credibility its much-vaunted ability to "punch above its weight" in international

The mayor of Bihac, the Bosnian town beseiged by Serbs, refuses to speak to British reporters. Senator Robert Dole, the new majority leader in the US senate, blames "the British and the French, particularly the British" for the situation in the

General Sir Michael Rose, the British commander of UN forces in Bosnia, is a hate-figure for the Bosnian government, while his French boss General Bertrand de Lapresle - whose thinking is virtually identical – is not.

How have the French done it? The answer, put simply, is that they are far better than Anglo-Saxons at holding two almost irreconcilable positions at once, and also at striking rhetorical poses that bear little relation to reality.

Britain and France have made precisely the same analysis of the situation in Bihac. As both countries see it, it would

be a bad turn of events if the Serbs were to overrun the Rihac enclave. The fact that they may now do so is seen as an undestrable consequence of an ill-judged Bosnian government offensive.

But the consequences of yielding to US demands for an all-out air attack on Serb positions around Bihac are judged even more undesirable in both London and Paris; it was felt there would be too high a chance of hitting the wrong people So far, so much Anglo-French consensus. But when it comes to policy presentation, the differences between Gallic flair and Anglo-Saxon phlegm start to show. France staked out the moral high

ground by proclaiming: "Bihac must not be allowed to fall!" Britain was true to its plodding, empirical self by making the - undeniably accurate, but gloomy - observation that Bihac might fall. If Bihac does now fall, the world

will say that it was not for lack of French trying: if that outcome is somehow prevented. Paris will claim a share of the glory.

As for the French penchant for holding two contrasting positions at once, it is demonstrated by Paris's ability to sound both more pro-Serb and pro-Moslem than London.

In September, while British officials were sternly stressing the absolute unchangeability of the existing peace plan for Bosnia, France floated the idea that the Bosnian Serb zone should have confederal relations with Serbia. That idea - heresy at the time - has been resurrected this week France has balanced the effect of

e pro-Serb statements by mak ing high-sounding commitments to the security of Bosnia's Moslem enclaves, which are music to the ears of Senator Dole.

Mr Alain Juppé, French foreign minister, makes weighty pronouncements such as: "Europe cannot enjoy stability and peace in a context of confrontation with Islam...What is at stake in Sarajevo is the possibility of an open and tolerant Islam."

With the great sweep of French strategic thinking, he "rejects the inevitability" of division in Europe between the Catholic, Orthodox and Moslem worlds. "France's historical mission, from Richelieu to General de Gaulle, is to reject barriers erected in the heart of the continent," he has proclaimed.

A British minister who said something like that would be lampooned in satirical magazines. But to judge by the success that France's lofty rhetoric seems to enjoy, London ought to be sending its brighter young diplomats off to the grandes écoles for a refresher course on Descartes and Voltaire.

Observer

Uneconomic in quotes

■ Without wishing to proffer needless encouragement to garrulous economists on this of all days, now also happens to be open season for the FT's fame ratings an exercise in its third year which ranks UK economists according to the frequency of their mentions in domestic newspapers over the past 12 months. Surprise vaulter to pole position

for 1994 is last year's number 12, Simon Briscoe, an ex-Treasury number cruncher at S.G. Warburg, whose mastery of the ready quote earns him 221 mentions. He has thrashed - by 70 plus points - the next placed economist, Gavyn "wise man" Davies of Goldman Sachs. Davies, third in 1993 and top the year before, put in a sturdier performance than other members of the chancellor's team of "wise men", with Tim Congdon slipping from first to ninth. Wynne Godley and David Currie - who both leave Clarke's panel at the end of next year - come in at 17th and 35th, down from fifth and 12th

If the chancellor cared to run the fame metre over prospective new wise men, he would observe the needle flickering above Citibank's Neil Mackinnon, in third place from eighth, and Salomon's Michael Saunders, who climbs up 11 places to sixth. But watch out for HSBC's

Ian Shepherdson, who has leapt an unheard-of 23 rungs of the ladder to fourth spot. By contrast, BZW's Derek Scott, the new economic adviser to Labour leader Tony Blair, still seems to be having some difficulty getting his message across. He remains stuck at 48th, albeit one place above Colin Mowl, the Treasury's chief forecaster.

Wisdom check

■ Which still begs the question as to how Kenneth Clarke actually puts to best use the wise men he inherited from his predecessor Norman Lamont. The six have already been

downgraded since the chancellor now only wishes to read two, rather than three, of their reports a year. At the same time, it is their misfortune that their sagacity was sought during a period in which the Treasury's own forecasting record has improved from dismal to not too bad. Judging by the forecasts issued at

Budget time last year, the wise men have not cornered the market in economic wisdom. Cambridge University's Wynne Godley, for instance, was forecasting gross domestic product growth at 1.6 per cent for 1994, against a probable out-turn of 3.5-4 per cent. And Andrew Britton, director of the National Institute of Economic and Social Research, was predicting an inflation rate (minus mortgage interest payments) of 4.5 per cent

BANX

'I'm sorry you're being bullied at work'

for the fourth quarter of 1994, when the equivalent figure for the 12 months to October this year was actually a mere 2 per cent. Meanwhile, Observer's own

forecast is that the wise men will, wisely, be increasingly called upon to deliver their wisdom in the form of policy prescriptions rather than hard numbers. Much wiser.

Unsound bite

This is the tale that stops the dog wagging. As Observer reported last week, Beiting's city fathers are trying to bring in draconian laws to curb dog-ownership.

But the dogs only have themselves to blame; last year in Beijing alone 52,000 people were bitten. Now The Workers' Daily has reported that in the past six years some 60,000 people have died of rabies throughout China.

This suggests a dog-bites-humans problem on a fairly big scale, but then numbers in China are always mind-stretching. It seems there are more than 100m dogs in China, of which a mere 10m are pets, and the remainder are bred to be eaten. No wonder they want to get their retaliation in first.

■ Bad news for John Major facing a possible challenge for the Conservative party leadership tomorrow if disgruntled backbenchers can rustle up signatures from 34 of their colleagues. Sir Anthony Meyer, the indomitable "stalking horse" who challenged Margaret Thatcher in 1989, was spotted celebrating Albanian national day at a swish London hotel yesterday. Questioned on whether he felt up to another tilt, Sir Anthony seemed very keen.

Never say neigh

Plagued

■ Already near the top of the list of those whom everyone loves to hate, Britain's fundholding family doctors and their managers can be forgiven for feeling even more

unloyed after their annual get-together at Stratford-upon-Avon

No politician would come near them. David Blunkett, who had originally been scheduled to deliver the keynote speech, was moved to education in October's shadow cabinet reshuffle, and Margaret Beckett, who took up the health baton, was otherwise engaged. No substitute could be found to detail the party's implacable opposition to the concept of fundholding.

And what of the Conservatives? They too were unable to find a substitute for the originally advertised Clive Proggatt, a Cheltenham GP and early proponent of giving doctors their own budgets. He has other things on his mind nowadays, such as talking to the local constabulary about alleged drugs offences.

Blacked

■ British Coal may be out of business by Christmas Eve but it still seems to have a few scores to settle. Gerard McCloskey, the editor of several Financial Times newsletters on coal, currently engaged in some acrimonious exchanges with RJB Mining, also seems to have upset Neil Clarke. British Coal's outgoing chairman McCloskey has been dropped from the guest list for British Coal's last Christmas lunch for journalists. Come on lads, isn't it time to bury the batchet?



FINANCIAL TIMES

Tuesday November 29 1994



Israel condemns move as premature without a peace treaty

EU lifts Syrian arms embargo

The European Union is lifting its eight-year embargo on sales of arms to Syria.

The decision, announced by EU foreign ministers when they met a Syrian government delegation in Brussels last night, was imme-diately condemned by Mr Shimon Peres, Israel's foreign minister. Mr Peres, also in Brussels, said the embargo should be abandoned only if Syria was willing to

negotiate peace with Israel.
"Before the Syrians move, why
lift . . . the embargo? Let them move and maybe then there won't be a need for an arms embargo," Mr Peres said. The ban was imposed in 1986 after

to vote 'no'

in EU poll

Continued from Page 1

in a thwarted attempt to smuggle explosives on to an El Al air-

Other sanctions, such as bans on low-level diplomatic meetings, were gradually lifted between 1987 and 1990, when Syria sided with the West in the Gulf war.

Mr Peres and Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, made some progress yesterday towards resolving differences over the

Palestinian peace process.

The two, visiting Brussels on the eve of an international donor conference intended to speed up aid flows to the Palestinian authority in Gaza and Jericho. emphasised that recent violence in the Middle East would not be

allegations of Syrian involvement allowed to destroy progress made

"We will make this peace proess a success," Mr Peres said. "We will not stop en route."

Neither side was particularly forthcoming on the issues dividing them, including Israeli delays in withdrawing from the West Bank and its action in sealing off Israel to Palestinian workers resident in Gaza, or the delays in holding elections in the Palestin-

Referring to the recent bloody clashes between Islamic fundamentalists on one side and Palestinian police and his own Fatah faction, Mr Arafat said: "I insist on very rapid elections to see who has the support of the people - Hamas or Fatah?" He con-

Israelis understand our need for a quick election, but at the same time we have to understand their necessity for security, which is one of their main items."

Mr Arafat said that the most important thing for the Palestinians was that all donors should keep their promises, pointing out that they had so far only received a fraction of the total that had been promised.

EU foreign ministers were last night meeting Mr Farouk al-Shara'a, the Syrian foreign minister, as part of their effort to expedite and widen the Middle East peace

There were no signs last night of any direct contact between Mr Peres and Mr al-Shara'a.

Norway seen | Spain hit by air chaos as Iberia plan sparks strike

By Tom Sums in Madrid

Airline management and unions persuade the nation that, after the Cold War, Norway must play a full part in Europe's political and economic mainstream. Although she has staked much of her government's reputation on winning a Yes vote, Mrs Brundtland has said she will not

resign if the vote goes against The Labour government is in a minority in parliament. But the opposition is splintered, with no other party in a position to form a government, and recent opinion polls have shown support for

The government faces a problem in the event of a narrow Yes victory. The opposition Centre party and Socialist Left party, the leaders of the No campaign, have threatened to block ratification of EU entry in parliament unless a large majority is in favour throughout the country.

were locked in crisis talks last night in an attempt to prevent lberia, Spain's national carrier. sliding into bankruptcy. Strikes in all domestic airports in protest at proposed cost-cutting measures brought air traffic in Spain to a virtual halt, leaving tens of thousands of passengers

The airport chaos highlights a bitter confrontation over Iberia's plans to slash costs. The dispute threatens to disrupt the government of Mr Felipe Gonzàlez and strain Spain's relations with the European Commission.

Iberia is struggling under the financial burden of an ambitious expansion into Latin America, where it has bought substantial shareholdings in three local carriers, including Areolineas Argentinas, Iberia has Pta150bn (\$1.2bn) of accumulated losses and says it faces bankruptcy Mrs Brundtland suggested she early next year unless it pares will dissolve parliament and call costs and receives fresh state aid

of some Ptal30bn. However, any capital injection by the government requires authorisation from the European Union. In 1992, Iberia was allowed a subsidy of Ptal20bn on condition it did not apply for more aid until

Last night's talks were dealt an early blow when representatives of the pilots union walked out. The pilots fear they will bear the brunt of Iberia's planned salary and job cuts and are seeking the removal of its chairman, Mr Javier Salas, as a condition of any agreement.

Mr Salas said failure to agree a 15 per cent pay cut would mean the immediate sacking of 5,000 employees - 20 per cent of Iberia's workforce - and the break-up of the airline.

"This meeting represents the last chance to maintain Iberia in its present form." The unions, representing cabin

crews, ground staff, mechanics and other employees, said wage

cent and strongly weighted towards the higher paid. They said they would continue to dis rupt Spain's air traffic if manage ment pressed ahead with the lay-

Some 500 flights to and from Spain were cancelled yesterday. including all of Iberia's and most incoming flights by other European airlines. In the Canary Islands alone, 174 charter flights were cancelled.

"Iberia has for far too long depended on hand-outs and believed it always had a safety net." said a senior Madrid government official. "All that is over now and these are not conventional talks about pay, they are about the survival of a big com-

In the absence of a restructuring plan based on the 15 per cent wage cuts. Iberia says it will be forced to sell off its more profitable business units to raise capital through dispos-

THE LEX COLUMN

ABC's star attraction

kept out of television production for several decades. Now the shackles are being removed, it is hardly surprising they are rushing to get into the business. When there is an opportunity to link up with media titans such as Mr Steven Spielberg, Mr Jeffrey Katzenberg and Mr David Geffen, the temptation to do so must be irresistible. Capital Cities/ABC clearly hopes for a string of hit TV shows from the trio, which it can then syndicate through-

The deal may make sense for ABC. But the commercial logic behind networks building their own production capacity - rather than buying in programmes on an arms-length basis – is not clear-cut. On the plus side, vertical integration should allow cost savings in that a tied studio should not need its own syndication department. Integration should also shift much of the risk of making programmes from studies to networks. Arguably such riskallocation is efficient, since networks have bigger balance sheets. If a close relationship allows studio and network to communicate more effectively, the risk of making dud programmes might even he reduced.

But there are negatives too. Tied studios, secure of an outlet for their programmes, could easily lose their commercial edge. ABC might also find it hard to rein in its three stars, if ever their programmes were not up to scratch or ran over budget. ABC might note that in the UK there is something of a move away from vertical integration: in a drive to improve value for money, the BBC is contracting out an increasing proportion of its

Williams Holdings

Williams Holdings yearns to be seen as a focused industrial group rather than a blindly acquisitive conglomerate. The signs are that it is gradually winning the battle. Williams' shares command a premium rating of 12 per cent against the market and are up nearly a quarter against the diversified industrial sector in the past 12

Yesterday's £80m deal helps show why. The purchase of Angus Fire on a multiple of 17 times last year's after-tax profits is unlikely to dilute Wil-liams' earnings in 1995. This is despite the need for £3.5m of restructuring charges to be taken above the line. Thereafter it should enhance earnings as margins are brought into line with

FT-SE Index: 3047.1 (+13.6) Williams Holdings Share price relative to the FT-SE-A Diversified industrials index

the group's 15 per cent target and synergies with other fire businesses are exploited. It may not be huge for a company with a £2.4bn market capitalisation, but it demonstrates that Williams is putting its shareholders! money where its mouth is. Angus is one of the larger transactions in a string of deals - worth £250m in the past 12 months - which give credibility to the strategy of growth by bolt-on

92

1990 - 91

That said, Williams still suffers from a number of problems. Its cash-flow, though now positive, is still not luxuriant Moreover, the recurrent need to write off goodwill following acquisitions means that shareholders' funds are tiny for so large a group. This means gearing rises rapidly. And as vesterday's cautious trading statement hinted, trading conditions are tricky. But Williams deserves its new-found credibility, and its rating.

110

Yesterday's chaos on the planes in Spain was nothing compared with the crisis that would grip the European Commission if it allowed Iberia to be refinanced yet again by its state owners. Other airlines would cry foul since the requested Pta130hn (\$1hm) in refinancing would break lberia's undertaking not to seek state aid until

Iberia's management has masterminded a strategy which generated losses of Pta120bn since 1992 - the same amount as the state bail-out in that year. While Iberia's absolute costs have been kept low, revenues have stalled. The airline has been caught between the Spanish recession, low

of holiday traffic on its routes, and the absence of international transit passengers. Its efforts to remedy this by expanding into Latin America have proved unprofitable.

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Iberia must reise capital with begging from the state. It could sell and lease-back its aircraft, dispose of its European subsidiaries to companies such as BA or Luthbausa and on costs still further. If that is not enough, the group could dismantic its Latin American operations. Iberia would be without an intercontinuated strategy but it could easily merge with another airline. That might seem a big blow to Spanish pride, but it would be better than continuing large cash injections from the taxpayer.

Raver has yet again proved itself a class act. Its 60 per cent rise in year or year pre-tax profits during the third quarter was thanks to hard work as well as recovery. The cost cutting has been impressive. During the last four years staff numbers have been cut 12 per cent, while salaries have been kept under control. Turnover has been almost static, yet sales per employee improved II per cent. Nor did Bayer stint on capital expanditure during the recession: the group will have invested more than DMI5bn (\$8.5bn) between 1990 and the end of this year. Such careful husbandry during the

downturn is now being rewarded. Sales in all divisions have started to rise, driven by earlier strategic expansion into Asia, Latin America and the US. More is yet to come. The group is still to benefit fully from recovery in Europe, where more than half its turnover is generated. Year on year, prices were actually down 1 percentage point, but the group expects to push through increases.

Weaknesses remain. The pharmacenticals division has not performed well. However, management has high hopes for the new product portfolio and is following the example of other groups by reorganising research and development to raise productivity. Bayer has also addressed the dyestuffs operations' difficulties, placing them: in a joint venture with Hoechst. The only problem is Agfa, its photographic business, which sits oddly within the group. Bayer should find some way of disposing of it. The shares, which have underperformed more cyclical stocks such as Hoechst and BASF, deserve a

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Clarke defends Britain's EU stance

in London

Mr Kenneth Clarke, the UK's chancellor of the exchequer, yesterday delivered an uncompromising defence of Britain's policy towards the European Union as the government faced down a threatened rebellion by Tory Eurosceptics over the Brussels

But the debate on legislation to allow higher British contributions to Brussels once again exposed the deep divisions in the Conservative party over Europe.

Mr Norman Lamont, Mr Clarke's predecessor at the Trea-sury, called for Britain to redefine its relationship with Brus-sels even if that meant considering the option of withdrawal from the EU.

tics was still threatening to abstain or vote against the measure in spite of a threat of suspension from the parliamentary

In a combative performance in which he accused Labour and the Liberal Democrats of colluding

Joe Rogaly: Life raft for parties

with the rebels to wreck an agreement which they had backed when it was signed at the Edinburgh summit two years ago, Mr Clarke said the govern-ment was "certain" of victory in last night's vote.

But a decision to suspend - or, more formally, remove - the parliamentary whip from any rebels could reduce or wipe out the gov-ernment's already slender theo-

A group of hard core Euroscep- retical Commons majority of 14. Mr Clarke strongly defended Rightwing opponents of Mr John Major were also still seeking support for a challenge to the prime minister before Wednes-day's deadline for the start of such a contest.

But dissidents on the left of the party made it clear they were not

prepared to add their names to the list of those seeking a challenge, leaving the rightwingers

short of the required 34 names. Mr Michael Heseltine, the trade and industry secretary, had ear-lier flatly rejected any suggestion that he had any knowledge of claims from some in the anti-Major camp that a contest could pave the way for him to win the leadership.

FT WEATHER GUIDE

the government's decision to make passage of the legislation an issue of confidence on which the government would stand or fall. If parliament could not support a deal in which a government had given "its solemn international commitment" then "that government has lost the confilence of the House and it must

Insisting that the agreement would add only £75m (\$123m) to Britain's contributions next year rising to about £250m extra by the end of the century - he said the accord represented a "per-sonal triumph" for Mr Major.

Mr Clarke's only concession to the rebels was to promise tougher measures by national governments and by the Brussels Commission to cut EU fraud.

The results of being focused on the Nordic region.



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The institutional placing price valued the offer at SEK 7406 million

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Ωoutokumpu Primary offer of 14.7 million A shares Outokumpu Ov and secondary offer of 5.3 million A shares

> The Republic of Finland Kleinwort Benson

acted as adviser to The Republic of Finland

The Government of Sweden, KF and Neste Oy have sold Corral Petroleum Holdings SEK 5.9 billion Kleinwort Benson acted as financial adviser to The Government of Sweden, KF and Neste Oy

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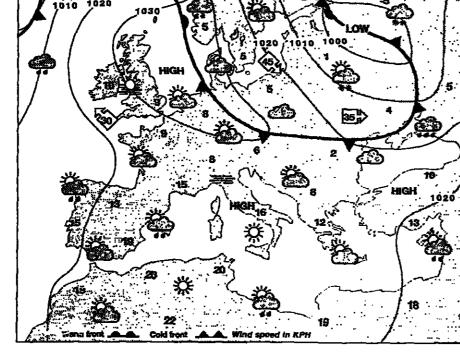
Europe today High pressure over the North Sea with

will give settled and mainly dry conditions over western Europe. Low pressure over Russia will draw cold Arctic air with snow as far south as the Black Sea. In the wake of the cold front, the Battic region will have variable cloud and isolated snow showers. Part of the cold air mass will surge into north-west Europe, where temperatures will become seasonable. Fog patches and low cloud will

be followed by abundant afternoon sun in Italy, France and the British Isles. Western Scandinavia and Spain will have some

Five-day forecast

The high pressure system will slowly move towards Poland, mainteining a light to moderate cool northerly flow over eastern Europe. Central Europe will turn cooler. Western Europe will be influenced by increasing southerty winds which will promote sunny spells and decrease the risk of fog. Light frost is expected later this week in eastern France, the Benelux and southern



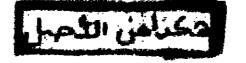
TODAY'S TEMPERATURES



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FINANCIAL TIMES SURVEY

GLOBAL CUSTODY

Russia: the challenges posed by the final frontier Page 9

Tuesday November 29 1994

Oil for the world's investment machinery

Global custodians have moved on from the task of merely keeping securities safe. They are now in the business of asset administration. **Norma Cohen** reports

lobal custody, once a sleepy backwater of the banking industry where clerks endeavoured to keep securities safe, is no more. Instead, it is a global multibillion-dollar business which provides the oil for the world's investment machinery and the glue which holds the system together.

Push-button service for

measuring performance

indeed, custodians say, their sector is saddled with a misnomer. "We are really in the asset administration business," said Valentine Feerick, head of global trust and custody at Mellon Trust Europe. "We need to be able to play a role from the point where somebody agrees to buy a security to the point where somebody sells it.

For international banks such as Mellon, the core "master trust" business is relegated to a mere housekeeping activity. The real business is up-to-the-minute information provision for clients whose investments are crossing international borders and time zones at an alarming rate.

In addition to the traditional services of cash and foreign exchange management, dividend collection, and monitoring corporate actions, clients want custodians to handle securities lending into esotsric markets, investment accounting and performance measurement and attribution.

"What our customers will look to us to provide is valuable information that will help them make the right decisions about their asset strategies," said Marshall Carter, chairman and chief executive officer at State Street Bank, one of the world's largest global custodians. Competition in future years for banks such as State Street may well come not from

ig focused

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region.

other banks looking for a slice of a lucrative new business but from leading information providers such as Reuters and Bloomberg which already are adept at sending information around the world at low cost,

Customers will want their custodian not only to collect mountains of data for them, but to distill it into a readily useable form.

Charles Cassidy, who runs

State Street's European custody business, points out that regulators' efforts to curb risks in securities settlement mean that clients need even more from their custodian. Earlier this year, the US Federal Reserve began to charge banks for their intra-day borrowings, a cost which has now been passed on to institutional investors. Money now has a value during the day and information about money now has a value during the day," he said, noting that clients want their custodian to monitor their bor-

rowings minute by minute to

cut the cost of credit.

While clients are demanding an increasingly sophisticated product, they have been able to exploit fierce competition in the business which is driving pricing down further. The long-envisioned shake-out has yet to materialise. However, there are signs that some institutions which provided their own custody are now re-thinking that strategy – a move which could ease competitive pressures.

Earlier this month, Prudential, the UK's largest life insurer and a leading international investment manager, caused a rumble by quietly asking 10 international banks to bid to manage its £40bn portfolio of UK and interna-

tional securities which it has

dles in-house.

It is the largest single contract since the California Public Employee Retirement System sought bids for its business in early 1992.

David Hanson, director at Prudential Portfolio Managers, said the Pru simply made the decision that while it meets its own custodial needs perfectly well at present, the future requirement for investment in technology had caused a rethink. Custody, he said, is simply not Prudential's core business and the insurer would rather concentrate on what it is good at — investment.

However, there are few signs that third-party custodians are retreating from what is for some a very profitable business. Robert Binney, head of Chase Manhattan's European custody business, says that custody is the single largest contributor to Chase's profits for the Europe, Africa and Middle East regions.

organ Stanley, one of the few investment banks to establish a significant toehold in custody, says that 1993 was a "banner year" for profits in its custodial business. In 1994, profits are already up 60 per cent. It is the fourth most significant contributor to group profits for the bank.

"Everybody is talking about a shake-out in the custody business. But I'm at a loss to see who is getting out," said Mr Cassidy. "But what we do see is a tiering of the business."

John Lee, a partner at Lee

John i.ee, a partner at i.ee Schwartz Associates, says that a group of 10 international custodial banks now account for



80 to 90 per cent of the business worldwide. A further 70 to 80 banks may service significant parts of individual coun-

tries or regions.

Michael Grass, head of global custody at Barclays Bank, predicts that the degree of annual expenditure on technology and the number of new markets for which there is a demand for service mean that no bank can afford a comprehensive service. Instead, "we will see alliances. Banks will say, 'Look, you offer this service and I'll offer that service and we'll face the market together'."

Already, there are signs that Mr Grass's prediction is coming true. Leading custodians are reporting increasing interest in so-called "white labeling", the provision of their service under the brand name of the end-client's own custodian. The arrangement allows banks which cannot invest in the necessary technology to retain a long-time relationship with a client while providing

high-technology custodians with an additional source of revenue.

Meanwhile, if there is any

trend which has shaped the business in the past year, custodians say, it has been the pace of expansion into crossborder investment, particularly from the US which has traditionally been reluctant to look overseas. That move abroad has taxed the abilities of custodians, particularly in emerging markets where the flood of foreign investments has swamped the system in some countries.

According to InterSec Research, a US-based consulting firm, US pension funds sharply increased their international holdings to 7.4 per cent of all assets by the end of 1993, up from 4.7 per cent the year before. And despite weakness in equities markets worldwide, the trend continued into 1994 with the value of US pension assets invested abroad rising by a further \$22bn in the first half of the year. Most of

that went into equities.

And, significantly for the

Benchmarks, a publication

which tracks the performance

of custodians in each country,

estimates that by the third

quarter of 1994, three out of every four trades were still fail-

ing to settle on time. "Simply

stated, the situation in that

market has reached a point

where any prudent fiduciary,

whether a money manager or a

custodian, should be advising

clients not to invest there,

GSCS said in its latest bulletin

India is not alone, GSCS says. Malaysia is showing

signs of proving equally prob-

lematic and even some mature

markets, such as Japan, have

relatively high levels of trades

custodians to service arcane

markets and meet increasingly

sophisticated needs is taxing

the industry's imagination and

its ability to finance further

technological development.

Long-term, only a handful of international pperators are

Overall, the pressures on

which fail to settle on time.

global custodians, there has been a considerable increase in investment in emerging markets where settlement systems and custodial services have often been rudimentary.

Baring Securities is predicting that by 2010, roughly 45 per cent of the world's stock market capitalisation will be in

emerging markets.

If there had been any doubts about the need for effective custodial services in these emerging markets, the example of India would have erased them. Earlier this year, custodians operating there had to close their doors to new foreign investment and set limits for existing customers as the paper-based system creaked to

a virtual standstill.

And despite the introduction of a number of reforms intended to ease the paper crunch, custody in India is still threatening the ability of foreigners to invest there. GSCS

Man from the

Pru galvanises the industry

Outsourcing: Implications of the Prudential contract
 Profitebility:relatively low risks and stable earnings
 Page 2

Retail financial products: small investors offer big business potential
Dematerialisation: empty vaults will bring new

page

M Swift: uncertainty over which way to expand

Performance

Page 4

B Securities lending: a bott-on service that generates cash

bott-on service that generates cash

Derivatives: facing up to a rising demand

Page 6

■ Technology: getting the right message across Page 7

■ Emerging markets: hazards encountered in the frontier areas ■ India: antiquated

India: antiquated procedures create a paper mountain

Page 8

In Russia: where 'clead'

abound Pacific Rim: unravelling the nightmare
Page

souls' and fake shares

 Voting rights: the cost of making your voice heard
 Sub-custodians: New areas where traditionalists fear to tread

Page 10

Editorial production: Roy Terry

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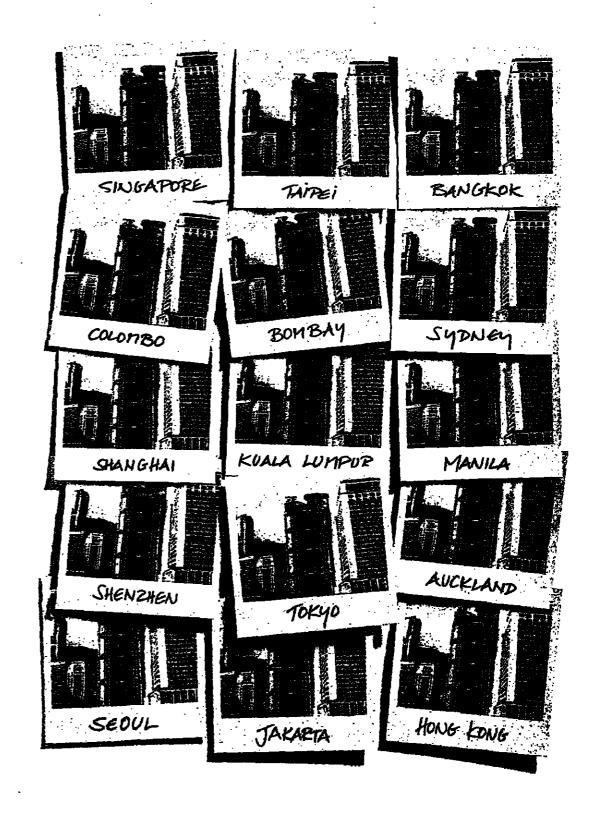
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Outsourcing: Norma Cohen on the implications of the Prudential contract

The Pru's move galvanises the industry

Prudential, the UK's largest institutional investor, asked 10 leading international banks to tender for its global custody business, thus setting off a burst of enthusiasm not seen

With £40bn of global assets to care for, the Pru's contract will be the largest single slice of new business since the California Public Employees Retirement System (Calpers) put its then \$65bn portfolio out to tender in early 1992.

For those in the global custody business, the implications of the Pru's move are enormous. It is not simply the thought of a contract to service £40bn of assets, they say, but the broader question of just who ought to be in the custody business anyway. If the Pru's vast assets are still too few to justify it being in the custody business, then surely dozens of other smaller fund managers in the UK and beyond will also need to consider outsourcing their asset servicing business.

In making its decision to outsource its custody, David Hanson, a director at Prudential Portfolio Management, said the company looked long and hard at its core businesses and decided that custody was not

"The players who are in here are in for the long haul," Mr Hanson explained. "They are investing \$50m a year. Also, you really have to be part of the banking business to do it well," he said. "A bank is capital-hungry. Our core compe-

tence is investment. And even if Prudential had decided to make a serious bid for the custody assets of others giving it far greater critical mass than it has even now – you're never going to say 'The Prudential - number one in custody'." Mr Hanson said. Once that decision had been made, the company, which is

the UK's largest life insurance

firm to help it find the right custodian - or combinations of custodians - to suit its needs. Significantly, the Pru has selected the same firm of consultants which helped Calpers ing for custodial services ever seen in the business. However, the fact that a company the size of Prudential should have decided to out-

source its custody operations is by no means an indication of how much critical mass a fund manager would need to remain in that business Ms Elizabeth Corley, director in charge of custody and inves-

tor services at UK investment hank SG Warburg and Co. says that her company has taken a different view. At Warburg, which is the custodian for its 75 per cent-owned subsidiary Mercury Asset Management (MAM), "custody is a core busi-

MAM began to invest heavily in its custody operations about six years ago mostly to meet the needs of its fund management clients for whom it offers a bundled service.

However, because of the sig nificant technology spend that effort required, MAM began to consider whether it could perform the same service well for those who are not its fund

Dozens of smaller fund managers are expected to follow the Prudential and outsource their asset servicing business

management clients. And, indeed, some of its fund management clients, such as the GrandMet Group Pension Fund, ask MAM to additionally provide the custody for the portion of assets it does not invest. Recently, it has begun to market its custodial capacity more widely - earning an added boost from consultants who rate it highly - and has

"If you are making that investment, you must ask yourself whether you are doing it just for yourself, or for others as well, or should you not be doing it at all," Ms Corley said. MAM, which is spending £10m to £12m on new systems each year, has decided it wants to do it for others in addition

attracted the business of

Invesco, the UK-based fund

But MAM's recent emphasis

on building its own stable of

retail financial products has

forced it to invest heavily in

information technology not only for custody but for client

record-keeping and other ser-

It has succeeded in winning



the mandate to manage the

new start-up unit-trust and

unit-linked life insurance busi-

nesses of the Halifax Building

Society and for Leeds Unit

Trust Ltd. the unit trust arm of

Leeds Permanent Building

Also, MAM makes its propri-

etary retail fund administra-

tion system available commer-

sourcing is going to become more important." Ms Corley

said. "People are saying 'If I

don't need to, why should I?"

John Lee, partner at Lee,

Schwartz Associates, a consult-

ing firm specialising in custo-

dial business, agrees that if anything, the trend towards

outsourcing is likely to con-

tinue. While news of spectacu-

lar new contracts such as the

Pru's may still be rare

instances, a far more common

form of outsourcing is occur-

ring under the description of

"I actually think that out-

"white labelling". In white labelling, or private labelling, banks which have traditionally provided custody services find they can no longer afford to do so efficiently. They may then turn to one of the larger banks to do it for them, unbeknown to the ultimate client. The client, most likely a fund manager or insurance company, retains its direct relationship with the bank which will still be responsible for all reporting and the provision of administrative ser-

Ross Whitehill, senior vice-president, global custody, at Morgan Stanley, notes that in Europe, where relationship banking remains a key determinant of who does business with whom, such private labelling relationships look particularly attractive.

Other banks were inclined to agree. "We're talking now to two European institutions who provide global custody. They cannot keep up with the technology and the big Americans are pillaging all their clients." said one banker. Although the banks are asking the custodians whose services they will "white label" for non-compete clauses in their respective markets, the bank believes such agreements will increasingly become a profitable activity for the largest operators and a hallmark of the custodial busiProfitability: John Gapper reports

Relatively low risks and stable earnings

The attractions of global custody for the dozen or so banks that are serious operators in the market stem as much from what it does not involve as from what it does involve. It is not an activity like lending which requires the use of balance sheets and ties up capital, nor is it like securities and money markets, which is profitable in good times but suffers from poor returns in had times.

After the lending problem many banks at the turn of the decade, and the let-down from 1993's trading annus mirabilis, these advantages are more firmly instilled than ever in most bankers' minds. arger banks regard custody as having an attractive com-bination of relatively low risks and a stable annuitylike earnings stream for successful operators.

Furthermore, custody has en obvious allure for many banks because it fits in well with other activities. Banks that are active in securities and foreign exchange trading see custody as a means of gaining captive business, so zaining more volume to pass through existing infrastrucrequirement of being able to clear and settle transactions.

Within the different forms of custodial business, global custody is also more attrac-tive than domestic master trust and custody work in the US, and sub-custodianship in other domestic markets because of the growth in the narket, and the potential for higher returns. Most global custodians argue that pros-pects are bright because of ong-term investment trends.

Ralph Mastrangelo, a managing director at JP Morgan, argues that the portfolio strategies of US fund managers mean that their need for global custody services is bound to grow. "The search for yield is pushing them into new markets," he says. This not only means more call for central management of funds. but the possibility of higher

margin work. One custodian estimates that margins on the ancillary service of stock lending - one of the most attractive linked businesses - are only 25 basis points (hundredths of a percentage point) in the London market, but range up to 300 basis points in some emerging markets. Only banks with a strong presence in emerging markets as custodians

to make global custody a highly attractive business for all banks. Yet the business remains one of the most highly concentrated of all banking activities. This is because of the high barriers on entry, and the intense competition on margins in the forms of custody which new entrants might be able to perform relatively easily.

Pressure on margins has been a constant of the past five years. Alex Jablono managing director of Bar-clays' global services arm. erves that "custody is for the birds". He says that the straightforward activity of holding securities in safekeening and collecting dividends on equities and coupon payments on bonds produces niseriv returns.

The forcing down of margins has been accelerated by the sophistication of the bid-ding process for the largest contracts. Fund managers have become used to banks making aggressive quotes for the simplest forms of business to be allowed to carry out more profitable ancillary services. Basic custodial work is now done virtually free on the largest contracts.

listair Reid, director of custody at Barclays, argues that banks can make good money by combining different themes" in custodial work even if the core product has been commodifised. The more profitable ancillary services include stock lending, foreign exchange contracts and all forms of derivatives to reduce risk and enter new markets.

Mr Mastrangelo says that most bids are "based on what a bank can get from the value-added side. The clients know that they are giving some gravy to subsidise the basic custody". Similarly, Mr Jablonowski says that the most profitable activities are "across markets and across products. The really horrible stuff is in a single product in

a mature domestic market". But the price of entry even to make such bids is also substantial, and becoming more so. Banks such as Chase Manhattan and State Street which have concentrated on custody the late 1980s have large technical infrastructures. At the heart of operations such as Chase's Infoserve arm are proprietory telecommunicafor consolidation among custodians, with smaller opera tors in the US selling businesses to those with an established advantage. Furthermore, fund managers who have undertaken custody are contracting out, a trend exemplified by Prudential Insurance in the UK to seek tenders for its global custody.

Despite the pressure on margins in basic forms of custody, the large operators therefore face the possibility of becoming increasingly dominant in a growing mar-ket, and so being able to reduce their unit costs. The future of profitability for such operators is likely to centre on their ability to control the risks of custody which can be substantial.

One form of risk is credit. Although there is relatively little credit risk involved in basic custody, custodians have introduced forms of credit risk in an effort to offer more sophisticated services. One example is the now common practice of paying dividends or tax rebates to fund managers on set dates. has yet collected the money.

One custodian argues that these forms of risk are not being priced properly at the tend to deal with large credit worthy fund managers, they have competed for busines: without taking true account of the risk of loss. "The credit risk aspects of this busine are not getting enough attention, and they are not being

priced," he says. Most custodians believe that an even greater risk is operational: the chance of failing to complete trades that a custodian has guaranteed, and so having to make up the shortfall of funds because of movements in securities prices. The risk can be exaggerated, given that custodians can also benefit from market movements, but it is particularly acute in emerging markets.

Ms Vivian Eversole, executive vice-president of Chase Manhattan, says that the biggest risks "are definitely operational. It is blowing transaction or valuing a fund improperly". Such risks are likely to figure more strongly in custodians' thoughts if margins on business in emerging markets erode without corresponding improvements in market



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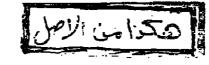
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GLOBAL CUSTODY 3

Retail financial products: Alison Smith reports

Small investors offer big business potential

Looking after the funds of kets where they invest meet small investors is becoming increasingly big business for custodians as well as for organisations more directly involved in retail financial services.

In the US, for example, the mutual fund industry had about \$2,000bn in assets in 1993, compared with just over \$1,000bn in 1990. More than one quarter of US households own

Within the UK market, sales of unit trusts were the striking feature of retail savings and investments last year. The unit trust industry attracted a record £9.14bn of net investment in 1993, and net sales of unit trusts for the first nine months of this year are higher - at £7.15bn - than for the

same period last year. Many UK investment managers say there is little difference require of a custodian for retail financial products compared with the characteristics they are looking for in a custodian for wholesale funds.

"There's no difference in pure custody terms," says Anthony Myers, managing director of Gartmore's custody subsidiary. The factors he cites extent of the network run by the custodian; the way in which it runs settlement its general efficiency and electronic capability; and how good it is at providing reliable

The differences are, instead, in the additional services provided alongside custody.

in the UK, financial regulation requires every unit trust e to look after the interests of unit-holders. This function - which has no direct equivalent in other forms of investment - most be fulfilled by an organisation separate from the investment manager, and it is common for the role to be carried out by the custo-

So, in appointing a custodian, a UK unit trust manager will look also at the trustee

Recent changes in unit trust regulation, increasing the responsibilities of trustees

At the beginning of November, the Securities and Investments Board, the City's chief regulator, replaced its list of approved securities and derivatives markets for unit trust purposes with a duty on managers to ensure that the mar-

Argentina Brazil Chile Greece India Indonesia Korea Malaysia Mexico

certain criteria. The change allows unit trusts to invest in a much wider range of emerging markets, but puts a greater onus are reluctant to accept - as well as the manager.

It could see trustee services move either in favour of the more broadly-based custodians, which can offer expertise on any given market.

Alternatively, it could lead to fragmentation, so that a manager wanting to operate a fund in a particular market would go to a trustee with specialist knowledge of that area.

In America, while no trustee function exists in respect of mutual funds, the additional services are similarly impor-

Within the UK market, sales of unit trusts were the striking feature of retail savings and Investments last year

tant in differentiating custodi-

"In the US market, what is most difficult and time-consuming is the daily pricing of the portfolio: not that many agents can do that as well as the auxiliary services, and by the time you include fund just a handful of custodian banks," says Wendy LaBonte, director of mutual fund marketing for State Street Bank in

The US market is much more highly developed than the UK market in terms of the auxildians, but the UK market is moving in the same direction. Last year, SG Warburg set

up a new service offering unit trust managers a combination of trusteeship and administrative services using a single

It has been appointed to han-dle the administration of the new unit trust subsidiary to be launched in January by Halifax Building Society, the UK's largest; and also acts for the newly-created retail financial products subsidiaries of Leeds and for the retail products

Though that trend is grow ing, the impression is still that the banks are keener to provide the services than many UK investment institutions are to receive them

Settlement Index Emerging markets

(% on SD)

0.08 2.63 2.98 9.56 3.69 29.08 13.88 3.00 15.38

market believes that the reason the market has not changed more quickly is that UK banks are "probably a bit behind in technological devel-

base where they can sell the additional services. The argument for placing administration and custody functions with a third-party provider is that it reduces

opment", and US banks do not

have a large existing client

Efficient management of custody and administration increasingly requires significant investment in technology which is much too large for all but the largest groups, and

expensive even for them. But the dilemma for the investment institution is whether the third-party is really going to manage the task better, and how far the task lies within or beyond its

"It is hard to see a big insurance company not regarding information technology and relations with policy holders as a core part of its role," one significant investment manager says. "But a fund management organisation moving into retail services might take a different view."

Barry Beale, relationships director of Warburg's custody and investor services division. draws a distinction between Warburg's services which are related to the underlying assets and rely on the same database - such as portfolio administration – and those which are more outwardlooking such as dealing and registration. It is up to the cli ent institution to decide which facilities it wants, he empha-

While the provision of extra services poses a question which will have different answers for investment institutions, for custodians the picis a way of getting further value out of information which they almost certainly have to have anyway, to carry out their basic functions.

The extra services, then, are "added value" both because they can provide added value provide a further source of

Plain vanilla custody is very, very competitive," says Mr Beale. "It's very difficult to make a serious living out of it. You have always to be looking to add value.'

Q3 94

100.00 19.85 1.03 69.27

95.07 4.31 6.04

2.79 5.16

-82,95 6,42 -0,42 7,67 9,74 3,39 -5,03 -3,92

n less than two years' time Crest, the UK's electronic stock market settlement system which will largely do away with share certificates at least for institutional investors, is due to begin its

phasing-in process. Many other stock markets around the world, both in the developed world and in the emerging markets, are ahead of the UK in introducing this so called dematerialisation. With no share certificates to look after, are custodians

threatened with the collapse of their business? Not a bit of it. True, their vaults are liable But the changes bring at

least the potential for a significant expansion of their siness opportunities. Plainly, though, custodians will have to be prepared to edjust their techniques. "We are very bullish about

the whole situation," says Terry Pearson, head of external relations at the Royal Bank of Scotland's securities division in London. He draws a parallel with the developments seen in the

were immobilised – that is, were kept in a central depositary (the Depostitary Trust Company) as a compromise measure falling short of complete electronic

dematerialisation. "The US restructuring was thought to be the death knell of custody, but it turned out very differently," he says. "The US custodians expanded into many other areas. The same thing will happen here."

Thus the Americ costodian banks developed the Master Trust concept, which embraces many services including trade reporting, foreign currency performance measurement According to Richard Crampton, managing director of the Bank of New York, in

Dematerialisation: Barry Riley looks at Crest, the

electronic stock market settlement system

Empty vaults will bring new opportunities

London: "From a pure custody point of view, dematerialisation won't make much difference." Already the UK system is in important respects effectively dematerialised, he says, because certificates have no validity unless supported by

entries on the company Regular tasks of the custodian, such as handling setilements

transferring maintaining collecting dividends and monitoring

corporate actions, will be essentially unchanged. "The bigger impact will be on the registrars rather than the stodians," he says. Andrew Douglas, a senior account manager with

Citihank, offers a similar view. "Physical safekeeping of securities is now only a small part of custody," he says. "As the business has developed, the key has been to add on services. In the UK, the original

concept of Taurus, the Stock Exchange electronic settlement system which was expensively abandoned two years ago, was more worrying for the banks than Crest now

Many of the big fund managers were planning to be their own account controllers

and might have taken many But the failure of Taurus left them with burnt fingers and heavy cost write-offs. Moreover the successor project Crest is deliberately ss powerful, because

within Crest will have to be

added on elsewhere. "The US restructuring was thought to be

the death knell of custody, but it turned out very differently" world. Barclays covers some

Accordingly, some UK fund managers - many of whom have offered in-house custody to pension fund clients in the past - are now thinking about

Strikingly, the UK's biggest Institutional investor, Prudential Assurance, has this month decided to phase out in-house custody and put the portfolio administration of £40bn of UK and

international securities out to tender. Dematerialisation is only one factor behind the decision, but it has played a part. According to Alistair Reid, director of custody at

Barclays Bank, dematerialisation will leave a number of inefficiencies to be An'institution wishing to be

markets will face the need to establish interfaces with at least four systems - not only Crest for equities, but other systems for gilts. money-market instruments

and financial derivatives. The specialist role for custodians will therefore be secure, says Mr Reid, "Fund out competing for their

business, let

with their

banks," he

observes.

70 national market places,

with two or three interfaces

So there could be scope for expansion of Citibank's specialist lending desk, which controls stock borrowing and

lending around the world. This is an example of how their expertise in systems and move higher up the added-value chain. Opportunities could multiply.

the fund managers'." Settlement improvements within the UK are especially focused on increasing speed, forward to the indirect benefits this will bring through the opportunities for expanding their business in

securities lending. Aiready UK settlement of equity trades has moved from a fortnightly account basis to 10-day rolling settlement, and the Stock Exchange recently announced a move to five-day settlement on June 26 next

Eventually, when Crest is running smoothly, three-day settlement will be introduced.

With time constraints becoming much more pressing, London marketmakers will have to rely much more on stock

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books. "We expect that demand for stock lending will rise fourfold," says Terry Pearson,

of RBS. As a result, custodians will have a much greater opportunity to add responsibilities such as lending on an agency basis on behalf of clients, and looking

after the collateral. ' Mr Dougias, of Citibank, also sees plenty of scope here. "Demand will increase dramatically," he says, and from a starting position at already far outstrips supply. Lending rates may have to rise if a broad balance is to be

For instance, data could be supplied directly to performance measurement specialists such as WM and

At Barclays Bank, however more caution. "Crest does present lots of opportunities, he says, "but the institutions may not wish to pay the appropriate price. Let's wait

Terry Pearson is rather more forthright. "The Crest system is deliberately simple and limited in functionality. he says. "Capability has to be added somewhere else. Custodians are the obvious

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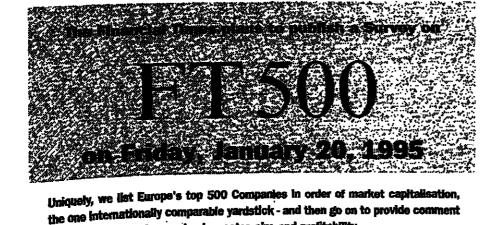
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Swift: John Gapper looks at the cross-border financial message network

Uncertainty over expansion plans

For global custodians, there are few more vital matters than being able to settle securities transactions on behalf of clients safely and quickly. Without an efficient method of doing so, custodians face not only high costs, but the financial risks of settlement failure.

The large US custodians might therefore have been expected to welcome a move by Swift, the Belgian-based crossborder financial message network, to provide a computer matching and reconciliation facility which can be used by all custodians and fund managers to track their transactions.

It was not to be. Instead, SwiftAsset Reconciliation was criticised on its launch at Swift's Sibos payments conference in Boston last month for being an inappropriate ven-

It is argued that Swift should concentrate on its core service

ture. The idea of easy access to such a tool for all Swift's 4,000 customers did not please the largest custodians.

Ms Vivian Eversole, executive vice-president of Chase Manhattan Bank, argued that Swift, which is owned by 2,230 banks, should concentrate on its core service of delivering financial messages rather than producing "value-added" products for market participants.

The question of how it can avoid competing with its own shareholders has become crucial for Swift as it mounts an ambitious push into the securities market, broadening its roots as a means for banks to exchange payments, foreign exchange and money markets

There is a clear logic to Swift's securities ambitions. Swift itself estimates that the growth in global investment means that there will be 1bn securities messages exchanged annually by 1997. Yet members exchanged only 21m securities messages - a fifth of total traf-

fic - during last year. Tony Kirby, Swift's director of securities markets, says that falling settlement times mean that it is increasingly difficult to exchange paper confirmations of trades. "You have to be connected electronically, or you can imagine telexes and faxes blocking the world's financial arteries," he says.

This has given Swift an opportunity which it might have found harder to capitalise on two years ago. The network then had a reputation for overspending, and being unresponsive to its users. Although it had admitted fund managers in 1992, it was still levving relatively high transaction charges

Since then, the network has undergone a substantial reform led by top management. Leonard Shrank, the chief executive recruited from Chase Manhattan two years ago. has engineered cuts in the entry fees and tariffs for use of the network because of reduced expenses and higher volumes.

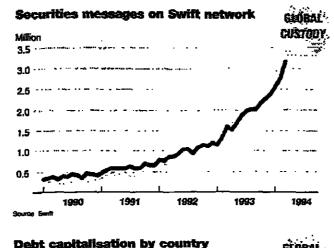
Mr Kirby says there is no conflict between Swift developing securities services and the interest of members such as large global custodians. He says that if the maximum number of participants is connected electronically and can exchange information "it will reduce the risks for everybody'

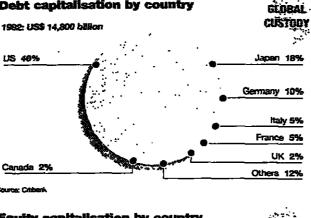
Yet Swift now faces uncertainty over how it should develop its securities activities. Mr Kirby argues that it can play a pivotal role in lowering the automation costs of new

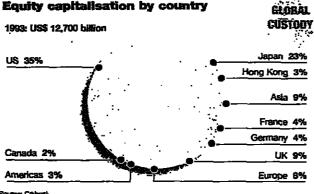
Some of this effect has already been seen in the relative enthusiasm of smaller fund managers for the network.

"The reason we are looking at added-value services is to attract newer participants. If the maximum number of parties is connected electronically, it will reduce the risks for everybody," he says. It would also allow smaller fund managers and custodians to provide sophisticated services. Mr Kirby points to two

advantages for fund managers in services such as SwiftAsset Reconciliation. First, he says it will improve the quality of information they receive on the their trades. This will "enable them to alert their bank" if there is a problem







rather than waiting to be informed.

A second advantage, he says, is that "it is crazy for a fund manager to use every type of proprietary system that a bank comes up with". If they use systems which are standard across the whole industry, this means that they will be able "to switch custodians fairly cleanly" if they wish.

He combines this ambition with a clear statement that Swift does not want to "replace the banks' proprietary

Yet there is clearly a potential for conflict with custodians that provide high margin services for customers by gathering such information through their proprietary systems. The scope for conflict in securities activities is greater than in some of Swift's potential payment and foreign exchange services because banks wanted to act as an intermediary there. But plans such as centralised matching of securities trades by 1997 could threaten the existing role

of custodians. In her Sibos speech, Ms Ever sole argued that such value-added products were not an integral part of its strategy of attending to the needs of its most important customers banks, Instead, she said Swift should be "focused on building the information autobahn of the financial world".

Yet the distinction between Swift's different categories of customers is likely to become increasingly blurred. Its move to admit fund managers in 1992

Swift role is "to build the financial world's information autobahn*

may be followed shortly by a similar decision to allow lim ited access to big corporate users further diversifying its customer base.

Furthermore, as global custodianship consolidates further, it may be difficult for the few large banks that specialise in the activity to exert a controlling influence on Swift. Small banks may in contrast be happy to see it develop value-added services to lower the cost of entry for such activi-

Mr Kirby says that Swift's managers "respect the position of the large global custodians but points out that Swift's board decided on the strategy. He says that Swift wants to work with global custodians to define exactly what we mean by value-added services" now the debate has surfaced.

He argues that "today's added-value service is tomorrow's commodity" in the fast-evolving world of custodianship. This means that Swift should be able to focus on activities

which do not conflict with global custodian shareholders. This is likely to be one of its largest challenges in the Performance measurement: Norma Cohen reports

Push-button service

excitement than performance measurement in the search to find new value-added services to package into global custody services.

Traditionally the domain of independent professional services who glean information from custodians before translating it into usable form for clients, custodians are moving into performance measure ment with a vengence.

"Custodians were fools ever to let performance mea ment go to third-party providers," one banker said.

Robert Ross, director of consulting at Frank Russell Associates in London, said: "In theory, it could all be done at the push of a button. Custodians have all the data at their fingertips," he noted.
Frank Russell, which is

active in the performance measurement market itself, has wasted no time in capitalising on this latest trend. The company is providing a software package to Chase Manhattan Bank, one of the world's largest global custodians, which is used by all its clients. The service will provide measurement and multicurrency performance attribution, helping clients to pinpoint which aspects of their investment strategy led to the out-performance or under-per-

formance of a portfolio. Also, Frank Russell is providing its performance measurement software to a group of other banks who make it available to selected clients.

According to Ms Laurette Bryan, senior vice-president in charge of performance and analytics at State Street Bank, savs that the role of custodians in performance measurement is now so pervasive in the US that "the consultants are almost getting out of the business here because we are taking over.

"We can do it much faster than they can," she said, noting that full reports can be prepared for clients within three to five business days of the end of each month.

State Street's performance measurement service has three elements: a pure calcu-

Nothing has attracted more lation of total returns, a comparison of returns against various benchmarks; and performance attribution. The last of the three is particularly crucial to pension scheme clients, she says.

Ms Bryan says that the particular style of US pension fund management lends itself to the type of performance measurement which custodians can offer. For one thing, US schemes are far more willing to use "specialist" fund managers and may have as many as 30 or 40 different companies handling bits of their portfolio. These organisations need to know, for instance, how their portfolio managers compare against each other as well as how they performed against their respective benchmarks

lso, a global custodian for a client's portfolios A for a client's portfolios will be able to spot some key elements of perfor-mance attribution at a glance. Sometimes a plan does well because all their managers have moved in the same direction at the same time and it turned out to he the right direction," she said. However. that sort of "tilt" in a client's porficile ought to be pointed out because it can lead to serious underperformance in future years. Ms Bryan recalled one former client who had done exceedingly well in the mid-1980s with a portfolio tilted towards small energyrelated companies based in Denver, Colorado, which not long afterwards collapsed.

What clients really want, she says, goes beyond pure performance measurement "if you can consult and interpret, then clients are willing to pay for it," she says.

In the US, fund manage ment styles and the absence of a single, universal performance benchmark have created a more hospitable market for custodial banks to make inroads into that market. But in the UK, the "balanced" pension fund portfolio where the fund manager, not the client, decides the asset allocation, is the norm. For this reason, consultants

retained a performance measurement system which has been able to develop broad benchmarks covering a high percentage of all market particinants. Unlike the US, it is possible to gain a fairly accurate picture of the achievement of the "average" fund manager in total returns and the range of peformance. However, there are few assetspecific benchmarks making it difficult to learn, say, how the average international bond portfolio manager performed. Thus, in the UK there has been little sign of custodi-

the service custodians are offering.
The UK market is dominated by two organisations: Combined Actuarial Performance Services (CAPS) owned by the four largest pension consulting firms, and WM Company, owned by

ans making significant

inroads into performance

schemes simply do not need

Pension

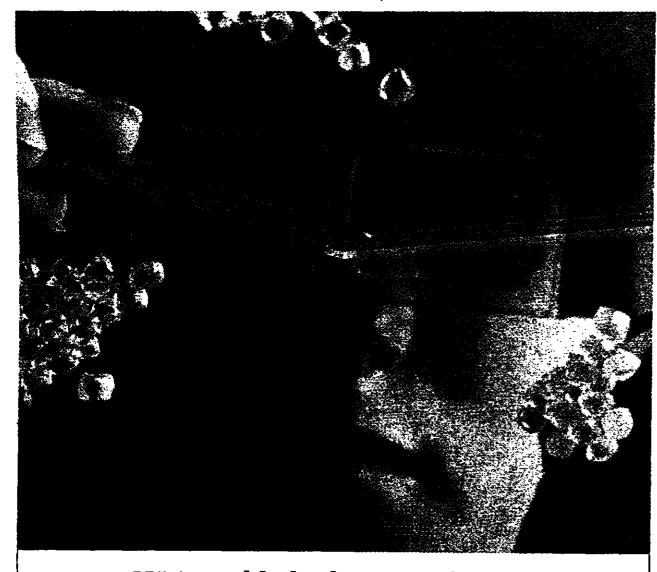
measurement

Bankers Trust. Earlier this year, Bankers ·Trust replaced the long-time chairman of its WM subsid iary with a senior BT official, Charles Kiley, and said it would like to obtain better synergy between the service and its global custody operations.

Mr Kiley acknowledges the differences between the two markets. "We need to develop different products and services for the two markets. They want different things." US clients "want to get down to the performance of the individual securities, not just portfolio messurement". They want to know what each stock or bond contributed to overall performance.

WM does have several specialised products, including its new Perkx product which measures the contribution for eign exchange made to performance. Also, in the GlobeMaster product, WM does the performance measurement side of the custody service and WM markets its performance measurement capabilities to other custodians as

4 4 1 1 2 7 1 E



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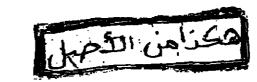
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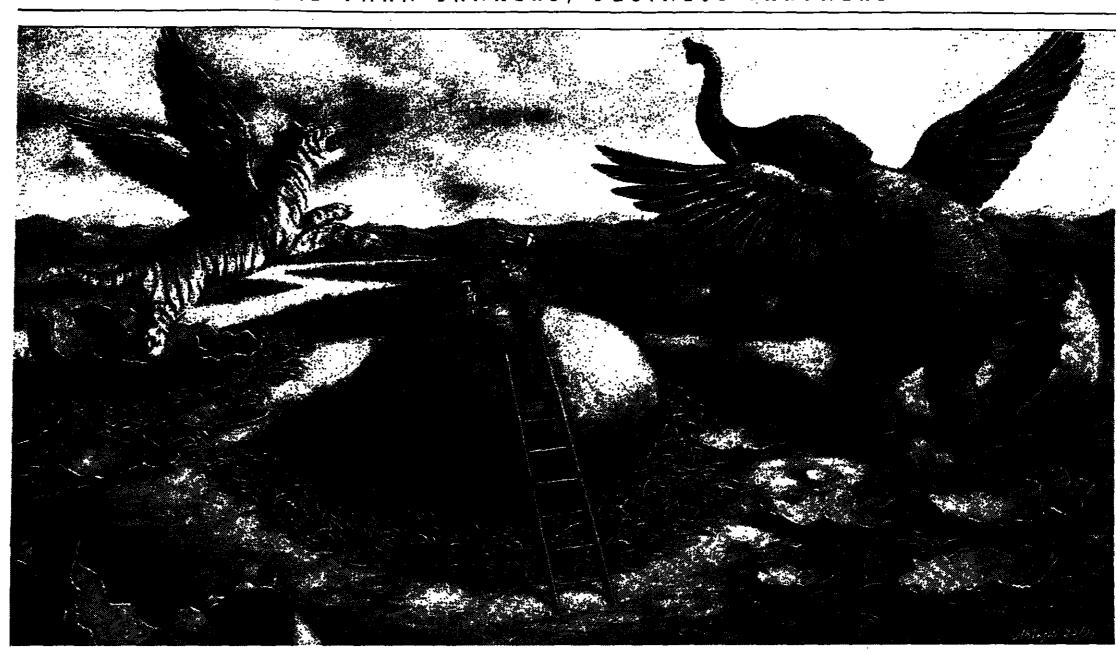
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Securities lending: Norma Cohen on the value of this bolt-on service

Cash-generating practice

custodians provide, none causes as much interest as securities lending.

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"There is only one bolt-on service which is of value to the lending," said John Lee, partner at Lee Schwartz Associates, a consulting firm specialising in custody. There is an increasing number of custody contracts tendered for on the basis of 'We will do the custody for free if we get the secu-rities lending bit'," Mr Lee

However, some custodians are cautioning against linking pricing decisions too closely to securities lending. "Securities lending does influence pricing decisions," said Dick Feehan, managing director at Bankers Trust's European global products division. "But the structure of a portfolio can change overnight," he warned. It may be reconstituted in a way which offers far less potential for lending than had been thought and the custodian

Securities lending offers clients a chance to earn not only a rate of return on the loaned securities, but on the investment of the collateral held

Yet. custodians say. even after years of successful stock lending in the US which has enhanced returns and cut operating costs significantly, many UK pension funds remain wary of the practice.

Demand for loaned securities both equity and debt - has been driven by the growing use of derivative instruments by fund managers and securities houses. These encourage investors to take short positions that is, to sell securities they do not own - and there are times when investors need to borrow stock to fill a short

Also, international stock lending has been driven by vastly increased interest in emerging and less efficient markets by US and UK investors. Investors willing to lend instance, may earn up to 3 per cent of the value of securities loaned reflecting both market inefficiencies and the reluctance of domestic investors to lend in an environment of legal ambiguity about the status of

inefficient, paper-based markets also offer great potential do participate earn quite

Spanish securities, for are rapidly increasing However, in the UK clients are far more reluctant. "We do very little lending in the UK." he said. Partly, that reluctance might reflect the relatively low returns earned on domestic stock lending. While margins are also low in the US. volumes are so large that investors who

lateral it receives back lender, who is then invest it as he sees fit.

Settlement index* Major markets						
Country	Volume (% of total trades)	Settling (% on SD)	Q2 94	Benchmark Q3 94	% change	
Australia	5.79	97.60	95.23	96.30	1.12	
Belglum	0.42	84.97	83.99	73.93	-11.98	
Canada	8.30	96.34	89.25	96.76	8.41	
Denmark	0.63	90.02	89,81	80.58	-10.28	
France	0.80	89.69	79.72	84.39	5.86	
Germany	0.93	89.96	82.19	89.08	8.38	
Italy	0.94	93.29	82.42	90.05	9.26	
Japan	6.68	94.36	93.45	95.80	2.51	
Netherlands	1.52	87.00	92.45	66.11	-28.49	
Spain	0.50	90.80	92.52	83.07	-11.04	
Switzerland	0.20	79.54	89.82	56.56	-37.03	
UK .	16.46	95.27	91.37	91.94	0.82	
US	19.28	97.10	92.63	97.34	5.08	
Eurobands	37.57	85.26	60.57	66.68	. 10.08	

for lending at high margins. Brokers eager to sell shares to clients find they may not be able to obtain them outright and borrow them from intermediaries to make good deliv-

As more investors become willing to lend, margins come down. In Japan, for instance, margins have fallen from three percentage points a few years ago to roughly 0.3 per cent at

"Securities lending has become a much bigger part of the business," said Charles Cassidy, senior vice-president at State Street Bank in charge of financial asset servicing in Europe. State Street has roughly \$200bn in custody accounts which clients have given permission to lend "That is a significant

increase over the past year when we had about \$30bn in total that clients were willing to lend," he said. About 25 per cent is out on loan at any one time, he said. The biggest participants are the large public sector pension funds whose knowledge and sophistication

attractive returns. Mark Weeks, marketing director at London Global Securities, an independent stock lending intermediary. notes that in the UK, the disan pearance of more than £440m from pension funds formerly controlled by the late Robert Maxwell had tarnished the image of stock lending and given trustees a justification

for avoiding the practice. "In a relatively risk-free environment, you can make a certain amount of money. So why would you turn it down?" Mr Weeks argues. London Global is one of the few lending inter-mediaries which acts as principal in stock-borrowing agree-ments, a status which many pension trustees say gives them greater comfort. If the borrower disappears with the stock, London Global makes good any loss.

Moreover, all stock lending unlike that allegedly carried on by the Maxwell-controlled pension funds – is collateralised. London Global, an unusual outfit in that it unbundles the custody activity from that of

However, the common tice is for the global custodian to invest the collateral. This is not a totally risk-free activity as Chicago-based Harris Trust found out earlier this year. in the second quarter of 1994,

reflect more than \$51m in losses stemming from a decision to invest held against cli-

ent loans of securities in vola-

While these offer relatively

tile collateralised mortgage

low counterparty risk, they

face significant market risk

and fell sharply in value when interest rates rose earlier this year. Harris, which says it

ranks among the top US-based

global custodians, "made whole" all of its clients which

had sustained the losses. More-

over, a spokeswoman said that

Harris has revised its internal

Typically, Mr Weeks notes,

there are three types of collat-

eral which institutions regard

as acceptable. These are cash,

letters of credit and Treasury

bills. Mr Weeks says because

client agreements usually

promise an end-client a set rate

of return, say 3 per cent, there

is an incentive for custodians

to try to earn an extra turn for

themselves by investing in

modestly riskier investments.

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	simpler options and future traded on exchanges and ti
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 has continued anace. As a result the demands on banks to adapt their custodial functions to accommodate derivative instruments are rising. Global custodians are in little doubt about the pace of

■he rapidly growing deriv-

atives industry has faced some setbacks this year, with a string of highly publi-

cised corporate losses and two

"We have seen a huge increase in interest among certain types of client, including fund and investment managers who are looking to get the custody of traditional securities and derivatives in one place. dent global securities services at Chase Manhattan.

"Two years ago nobody used to ask about derivatives when proposal' [industry jargon for the detailed proposals made by clients to their custodians]. in the last six months has contained something on derivatives. It is quite unbelievable Sveryone is asking for it," adds Mr Dennis.

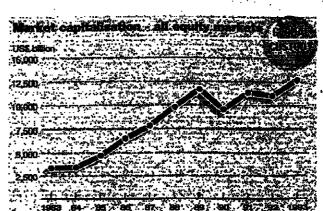
"Up to two years ago there was nothing on derivatives. It is beginning to appear now," says Dick Feehan, a managing director at Bankers Trust. "There used to be a dichotomy between the rocket science grand masters who were esigning the products and the back offices who were reporting on them. That gap no lon-

Increasingly fund managers even at conservative invest-ment institutions such as UK life offices - are using derivatives, for purposes such as tac-tical asset allocation. Bankers Trust estimates that up to 50 per cent of fund managers with more than \$500m under management are using or reviewing their use of deriva-

The pressures on custodians who have traditionally supsuch as settlement, safekeep ing, dividend collection and tax-related services for physical assets are growing.

"Custodians tended to adopt an ostrich approach and duck their heads in the sand. They

can't do that any longer," says



Derivatives: Richard Lapper on the growth of the industry

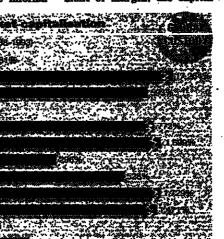
Custodians face rising demand

Mr Feehan, who adds that the demand for derivatives-related services is part of growing ue-added* services, such as accounting, valuation, foreign exchange, and cash manage-

Indeed, global custodians

Tanwan 4

accountancy procedures. A custodian, for example, can facilitate central clearing of all contracts traded on an international exchange such as Liffe or the Chicago Board of Trade. This can help consol-idate and streamline the pay-



needed to uphold positions. The whole idea is to get all your positions with one global clearing broker rather than with a multitude of brokers round the world. You get all the information in one place," explains Mr Dennis, "Without centralised brokers you could be paying margin to 16 different places - you could be getting 16 sets of reports back and the back office would be

Custodians can also help traders manage their trading tive use of netting off - offset-ting different sets of credits

and debits. ."A custodial system can make it easier for investors to manage their physical and derivative assets in a more effective way for reporting purposes. If you are long indi-vidual stocks in the PTSE and short FTSE futures contracts then from an exposure view-point you would need to net the positions off," adds Mr

Mr Feehan also empha the value of uniform reporting. "Some organisations come to us who are investing in derivatives, but who are putting their investments out with seven or eight separate fund managers who specialise in different areas. We can supply a combination of reports to cover and consolidate the

whole portfolio," he explains. Again with exchange traded products, investors are moving towards a single point of settlement and clearing. "This is for convenience, cost and reporting," adds Mr Dennis.
"A single information flow is what it is all about. It should allow them to make better

ot all banks are up to meeting the challenge.
The complexity of the instruments involved, and of an investment portfolio, requires more sophisticated reporting than straightforward equity or bond trades, as well as strong operational sup-

Practitioners emphasise two problems in particular. First, the accounting treatment for derivatives can vary from that of other securities and may vary from region to region. "For example, it is very com-mon to account for securities on an average cost basis, but most customers run their

Continued on page 7

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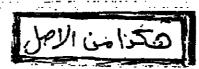
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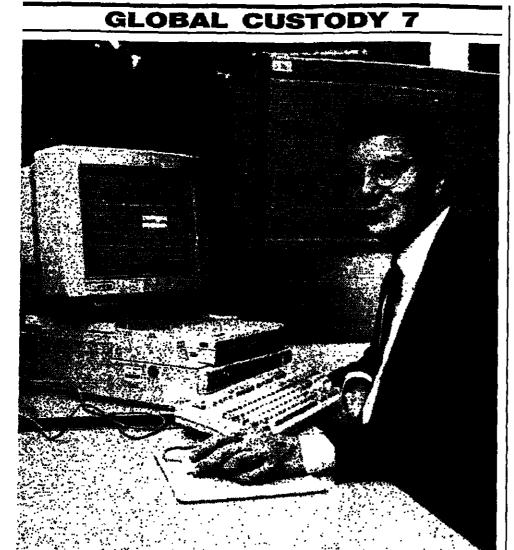
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11. FSDAY NOVI:MBER &



Technology: Sheila Jones on a common language

Getting the right message across

The Holy Grail of the custody industry is a universal language that will enable operators to talk to each other across the globe unhindered.

Armies of people represent-ing custodians, fund managers. and a host of other groups have been meeting in Europe and the US in an attempt to establish common messaging standards in the way trades are confirmed and settled. They want a language to carry the billions of pieces of infor-mation, or messages, about transactions daily between custodians and their clients.

Most people in the industry agree that the need to speed processing through a universal language is urgent, particularly as settlement periods become shorter.

"When 30 per cent of your messages are on free format

A language is needed to carry the billions of pieces of information about transactions daily between custodians and their clients

[unrecognised universally]. and you're having to interpret them and then rekey them, that is what the urgency is about," says John Gubert, senior manager of group securities services at HSBC Hold-

v data-

agement

ound

ings.
"A universal language allows you to receive messages and read them without human them." intervention. It takes out the time needed to manually load messages, and it removes an element of error when messages are being rekeyed. It speeds processes at a time of faster and faster settlement."

Mr Gubert predicts that by the end of the decade, 50-60 per cent of trades will be settled on the day of trade, and the rest within three days.

Lee Adams, a vice-president at Citibank responsible for product development, echoes Mr Gubert's view: "A fund manager told me recently that they dealt with 40 different custodians - unless those 40 custodians agree to use the same format, the poor fund manager is going to be receiving messages possibly in 40 dif-

Mr Adams also believes a universal language will save money, increase efficiency, and reduce risk. It will "close the loop" in the industry's automa-

The main industry body working on standards is the Industry Standardisation for Institutional Trade Communication (ISITC), an independent forum of representatives in the

works closely with Swift, the dominant message network provider, in looking at building on Swift messages, extending their use across the industry and creating new standards. A primary role is to develop formats for messages that can be used across a range of networks throughout the global

The ISTTC is making progress, according to one analyst, "but it is a bit like watching a swan on water - it is serene on the surface, but its feet are working away underneath".

The ISTIC's work, and that carried out by other groups, is co-ordinated by the Securities Standards Advisory Board, which was set up two years ago to bring together the vari-

Mr Gubert fears that attempts to create a universal messaging system are being hampered by the perceived need for consensus. He believes the industry needs to find a fast-track route, which means "in some ways being dictatorial".

The trouble with consensus is that if custodian A wants to use eight characters as an ID code and B wants to use 12, there is no possibility of a consensus, so you need an arbiter/ dictator," he says. "Inevitably that will be the big boys, and people will squeal like mad, but they are the ones handling the bulk of messages. You have to do it with a small group of operators to get standards on networks which are then used. That's effectively what the ISFTC is doing to a great extent."

Many in the industry acknowledge there is much co-operation between the various bodies involved in creating messaging standards, but some also fear the process is bureaucratic and slow moving, and that work on standards is being fragmented and duplicated. Rivalry between different standards groups has created a "bugger's muddle", according to one custodian.

Simon Pilkington, chairman of the ISITC in Europe, says he believes some of the criticism stems from "misunderstandings and confusion" about the position of the various groups in the process and with each

The ISITC agreed an equity September last year, and its working groups are now looking at the other main areas: reconciliation and corporate actions, derivatives and foreign exchange. Lee Adams, at Citibank, sits on the ISITC's corporate actions working group. He says a draft standard for a type of mandatory corpo-

the end of this year, before going to the implementation

Mr Gubert believes any one of three outcomes is likely by the end of the decade: the sta-tus quo; a technical solution that is too technical for the users; or a fast-track solution dominated by the largest oper-

World number one is the one in which there is total confusion - as there is at the standard is." Different custodians communicating in their own, proprietorial, language is costing the industry "millions of dollars", says Mr Gubert. Each message has to be translated, by computer or manubig costs could come on the capital side as new standards

Consensus, while hard to achieve, is the only way the industry as a whole

can embrace new standards and make them work

are implemented and systems have to be upgraded or

The second world is where we see the emergence of a massive data dictionary - a bible which people find very difficult to understand and to implement. So we will have a technical solution but the solution

Mr Gubert's third, and favoured option, is the emergence of a fast-track of a limited number of operators that already handles most of the business. "It has to be a very prescriptive mechanism to implement standards that will cover the vast bulk of our message requirements."

He acknowledges this could

create culture and status problems: "People don't like being left off the list." But he believes it is the only realistic approach and the one most likely to satisfy the needs of the largest portion of the busi-

Yet others argue that conis the only way the industry as a whole can embrace new standards and make them work.

"To make this work we need to get as wide an agreement possible," says Mr Adams. "Everyone's got everything to gain. If we don't do this, we will be just right back where we started, so we tend towards the 80-20 rule: If you try to automate everything you're going to fail, and fail big-time. You've got to concentrate on what is really important."

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GLOBAL CUSTODY AND UNIT TRUST TRUSTERSHIP

Lloyds Bank Pic, 71 Lombard Street, London FC3P 3DS, A Member of IMRO

Custodians face rising demand

Continued from page 6 derivative portfolios on a first in/first out basis," notes Mr

Second, the industry has a considerable amount of work to do and this suggests the need for standardisation. in the securities business practices have been partially barmonised and there has been a move towards the use

of international security

identification numbers. Unfortunately there are no comparable standards existing in the derivatives markets and this is partially because of the life span of derivative

"With the addition of a variety of strike prices and delivery months there may be more than 50 different contracts available on the same underlying instruments at any given time.

"Clearly the amount of time and effort required to maintain individual codes for such a universe would outweigh the benefits of standardisation," points our Mr Dennis.

"But the need to standardise the methods of communication remain as does the need to have a standard method of creating international security identification numbers," he

GLOBAL CUSTODY 8

lthough the flow of funds into the world's emerging markets has eased in 1994, following a phenomenal burst of activity during 1993, their attractiveness as

According to Standard Chartered Bank the size of emerging markets in terms of market capitalisation is set to double in five years, from its present level of around \$2,000bn; while other commentators point to the fact that if the economies of the world's emerging markets continue to develop at the rate of growth witnessed recently then, in about 20 years' time, they could account for around half the world's equity market capitalisation.

long-term asset investments remains undiminished.

No wonder then that custodians have, in general, not seen a significant slowing in the generation of business, particulariv as fund managers explore the possibilities of entering hitherto uncharted countries.

While risks remain in many markets custodians note that in some cases settlement can actually be easier to execute than in some developed markets. For instance, says Paul Bellamy, manager in custody operations at Robert Fleming. some emerging markets are already Swift-orientated, particularly in the Middle East, and have already moved to naperless trading systems.

significant problems arise when investing in such frontier markets as Russia Citibank raises a cautionary tale demand is not necessarily supported by the accessibility or availability of securities. There is no traditional equity market at present with a voucher system in operation. "The only way of ascertaining whether an investor owns vouchers is to obtain a photocopy of the investor list from the registrar," says the bank. "A photocopy provides no comfort that one is actually the beneficial owner of the vouchers and the law is unclear on these issues. On the one hand, there are huge potential returns to be had, but these could prove to be worthless if the voucher is also owned by three or four

Mark Mobius, of Templeton Emerging Markets Fund, notes that the question of risk allocation and control has not been fully and completely

Emerging markets: John Pitt on the risks encountered in some countries

Frontier areas pose problems

countries attracting invest-

ment have been Morocco,

Egypt, South Africa. Zimbabwe

In eastern Europe there has

been an increasing interest in

Hungary and the Czech Repub-

lic. The latter has not been an

easy market to open, but hav-

ing managed to get into place.

Ms Janes says, Chase has seen

a growth of interest, even

though it will be some time yet

before the country is ready to

hase has been working

with a local ball.

Czech Republic,

although there are some basic

problems in the way the mar-ket is structured. "For exam-

ple." she notes, "the local sub-

custodians are not able to have

accounts in the central deposi-

tory: it has to be the investors

set up powers of attorney

trade when they physically go

majority of trading happens off

market, with a few large

trades. It is supposedly a scri-

pless system, but to ensure

that you are actually getting

settlement you have to physi-

cally go to the central deposi-

tory and witness the confirma-

tion. However, this process

should change over time and

there will eventually be on-line

India has long been a signifi-

cant problem for institutional investors. Sanjit Talukdar,

head of the India desk at For-

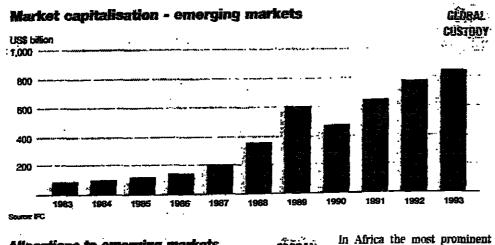
"In the Czech Republic the

to the central depository.

This means that you have to

open for foreign investment.

and Botswana.





The first difficulty is identifying the existence of those corporate actions, when they are taking place and what are the 'ex dates' and 'pay dates'. Information flows about such matters are not ideal in emerging markets so that the custodian's task moves to a high level of difficulty necessitating an extra degree of care not normally associated with custodial responsibilities.

Co-mingling of client accounts by custodial banks presents another challenge to emerging market investors. It is clear that in many accounts in emerging country sub-custody banks, assets of different investors are co-mingled so that in the event of mishan such as counterfeit securities, tracing the actual owner of the worthless securities becomes a major problem. Clients should demand separated accounts to ensure the viability of their

Another important problem "In the corporate arena the is the lack of foreign exchange typical example where there is no procedure for repatriation, while in South Korea, since the currency is not traded in London, for instance, conversion can only be done in Seoul, and custodians are dependent on a

sub-custodian.

Karen Janes, vice-president, regional network manager at Chase Manhattan Bank, also allowing the sub-custodians the legal right to settle the illustrates the example of

"Morocco is an old-fashioned physical market, and the main problem here is to do with foreign exchange. For instance, settlement on the stock exchange is T+1 but there is no way that an investor can get foreign exchange process in that time - it is more like T+4. The way round this is that people agree to trade a few days ahead, agree a price and book the trade for a few days later when the forex deal has been

She remarks that growth in activity has been seen this year in eastern Europe and challenges are great indeed. convertibility. Venezuela is a Africa, both north and south.

problems with custody have been one of the biggest obstacles to the development of the Indian markets.

This year, for instance, close to \$100m has been turned away because of custody problems. International fund managers cannot use local custodians because often they do not meet international regulations.

eign & Colonial, observes that

With deregulation of the market, foreign institutions and private sector mutual funds have become active. largely interested in block deals off market in B shares. which have a seven-day account cycle.

Since these trades are not executed through the exchange, prices are not transparent. Paradoxically, therefore, India is one market where transparency has fallen with the rise in turnover, he says.

Another problem endemic to India is the sheer volume of paper work generated, the main reason why more and more trade has successfully moved off-shore into global depositary receipts GDRs, which the Indian authorities have been happy to see take

There are vested interests against change, such as the establishment of a central depositary system. This would, in western terms, be the best solution to the current difficul-

Next best would be instead of trying to get rid of the system as it stands, trying to tweak it at the edges.

An attempt to do this has been the introduction of so-called "jumbo certificates". Typically, Indians deal in small lots, that is 50 to 100 shares. The jumbo is a deal of at least 1,000 shares, but because the retail market is not used to dealing in such large amounts a different price is fixed.

Many custodians expect to see an increase in volume. since the allocation of funds to emerging markets is rising regardless of whether the markets themselves are going up or down. Citibank, for instance, has plans to expand its custody network to include 20 more countries by 1996, including the opening of a safekeeping facility in Moscow and custody services in a num-

ber of African countries. Chase's Karen Janes suggests that investors have to be open-minded regarding investment in new emerging markets and to work with them. Chase, time training sub-custodians

India: Naazneen Karmali discusses antiquated procedures

A paper mountain

inadequate custodial capacity is a significant road block to foreign portfolio investments in India's stock markets. The value of such investments, which have been permitted by the Indian government since January 1993, were \$2.75bm at the end of September 1994. While this figure represents only a small percentage of the total market capitalisation of \$100bn, it is expected to increase steadily. It is estimated that portfolio investments and Euroissues by Indian companies would amount to \$6ha-8bn by March 1995. The number of foreign institutional investors registered with the Securities Exchange Board on India (Sebi), the regulatory authority, has increased from 136 to 229 since Jamesry this year. The entry of these large

investors has put tremendous pressure on the few banks that provide custodial services. They find that their sophisticated systems cannot deal with India's antiquated settlement and transfer procedures. Transactions are heavily paper-oriented and require physical delivery of shares. Each share certificate has to be individually signed along with a transfer deed. What makes it more cumber-some is that marketable lots are small. The Bombay Stock Exchange, for example, which accounts for 70 per cent of the

ket, recognises lots no larger than 50 or 100 shares. "The problem in India is that there's paper, paper and more paper," says Steve Page, senior manager securities services, Hongkong and Shanghai Banking Corporation. "It is a retail system that finds it difficult to cope with the demands of wholesale inves-

trading in the secondary mar-

Last December, when foreign portfolio investment touched \$1bn. custodians were overwhelmed by the masses of paper flooding through their doors. Confronted by a huge backlog in processing, they imposed strict trading limits on their clients. New business was tomed away.

To cope with the increased been building capacity by hiring more vault space and staff. Hongkong Bank and Citibank, the two biggest providers of custodial services to foreign clients, have more than doubled canacity. Mr

Bank's vault space is 200 per new depositiony will be concent larger and the number of people in his department has increased from 40 to 180 Some work has also been subcombacted out.

All this has only been enough to meet the demands of existing clients. Trading limits have been revised upwards, but still exist Custodians are not open for new business as yet. Mr Page says that there is a direct correlation between the number of shares and the number of people necessary to process them. The infrastructure costs of a custodial service in India are inordinately high and have kept other custodians away. Now service providers are slowly entering the market: Deutsche Bank began operations last month and ABN Amro has announced that it will be in business shortly.

Sank's Equitor Group began in a limited way last week. It now concentrates on servicing a small group of 15 important clients. The banks put a bar code on every share certificate to track it at every stage of processing. Colin Beattie, regional head of custody, south Asia, says: We had to put such innovations in place before we reached a critical level. Bringing off-the-shelf systems are not any good for Bombay.

Indian banks and financial institutions such as the Unit. Trust of India and the Housing Development and Finance Corporation, are keen to establish custodial services. The State Bank of India, the country's largest public sector bank, has opened a securities services branch in Bombay that is custodian to some offshore, country-dedicated funds.

The custodian with the largest capacity is the stock Holding Corporation of India. a company launched by Indian financial institutions in 1988. It could take on more business but is constrained by its small capital base of Rs210m from seeking foreign clients. The corporation's custodial workload, custodians have assets of \$23bn belong to domestic mutual funds and Indian financial institutions, Last year, it processed transactions worth \$2.3bn and Mr R. Chandrasekaran, managing director, expects business of

Page says that Hongkong by the third quarter of 1985 a structed near Rombay with w capacity to hold 350m share certificates. This will have an automated storage and retrieval system on a par with international standards. The corporation is keen to collaborate with a global customan as that will allow it to take the foreign clients. Morgan StanCarried House

Nicholes I

ley is a possible partner. Foreign custodians believe that solving problems is at best a temporary measure and does not address the more systemic issues. One way for ward, they have suggested in to introduce institutional board lots of 1,000 or mare shares. While the ties finas favour with Sebi, fund ma ers and brokers have been sisting it. They fear think their holdings would become in the additional headache of having to split large certificates into smaller ones.

To ease the paperwork, eps todians were earlier allowed to introduce jumbo transfer deeds that covered each trans action. Companies have also begun issuing jumbo share certificates, though the Bornbay Stock Exchange does not accept these as good deliveries. Sebi has recently approved the proposal that custodians trade institutional board lots between them-

This would bring down the risk factor relating to bad deliveries which amount to 20 per cent at present. Delays in settlement, which occur eight times out of 10 would get eliminated. Mr Page says that in a few cases, shares are rejected by registrars and have to be sent back to the brokers. This increases risks. to investors who have to wait six months before shares are registered in their names. A two-tier market would reduce problems all around. Custodians say that if the institutional market does kick off then it would lead to a paperless trading system and a central securities depository.

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The government is expected to introduce legislation on a central depository by the year end. The option of multi-depositories, one for each region, is also being considexed. The stock holding corporation would like to be appointed as central depository and is working towards it. Fund managers do not

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GLOBAL CUSTODY 9

Russia: Nicholas Denton discusses

Where 'dead souls' and fake shares abound

producers. Transworld alleges.

and factory officials confirm,

that a 20 per cent stake in the

smelter (worth \$300m) cou-

trolled by Transworld proxies, was deleted from the records

Officials at the Krasnoyarsk

smelter say they deleted Transworld holdings from their

books because of irregularities

in Transworld's initial pur-

chase of the shares. But west-

ern investors are troubled by a

system which gives factory

directors - who are often hos-

tile to outside buyers – the

unilateral authority to alter

This danger can be minim

ised by regular audits by the

custodian of the registrar and

confirmation of the sharehold-

ing. But that does not prevent

over-issue: whereby the regis-

trar arbitrarily creates new

shares and dilutes an existing

be dealing with abuses by reg istrars but they do not. One

custodian says: "The regula-

tory regime is appalling. It has

cheese. And the authorities

The problems do not stop

don't enforce any of it any-

there. Collection of dividends, customary responsibility of

of work. Some Russian companies, lacking liquid assets, offer their products as a divi-

dend payment. A vacuum cleaner company would issue a

dividend in vacuum cleaners.

leave it at that.

The fear of western

investors is that their

shares will vanish

ings Asset Management.

shares. A flight from Moscow to Vladivostok can cost \$650

and hotel bills for extended

stays add up. Nevertheless fees will be commensurately above

western levels. Custodians in

any case say they are setting up Russian operations to pro-

vide a full service for interna-

tional clients rather than to

Then there is also the challenge. Russia is the final frontier. But Yvonne Rogers, of Chase, is not so sure that cus-todians, much-maligned for

being boring, will find excite-

ment in the east. "Custodians

make fat profits.

Regulators, rather than cus-

shareholder registers.

owner's stake.

by factory administrators.

Custody services tend not to be noticed when they work. They are the poor cousins of the securities industry, consigned to the back office and out of the spotlight.

Only when safekeeping of securities and settlement of transactions are flawed does it become clear how vital they are to functioning markets. And in few places is custody less developed, and more of an issue, than in Russia. Observers call it "the single biggest deterrent" to western investment in Russia.

tions apply. Russia has no paper traded system because share certificates do not exist. Instead, the evidence of ownership is a name in a registrar's book. For a share transaction to take place an agent, or agents, for both buyer and seller have to go physically to the company's registrar and

That is easier said than

There is no paper-traded system because share certificates do not exist

done. There are about 3,000 registrars and those for many of the most attractive companies, the energy giants, are far from Moscow and St Peters-

This logistical morass has given rise to a mini-industry in the sale of shares by brokers who do not actually own them. Apart from physically inspecting a share register, the only evidence a purchaser has that he is buying shares from their rightful owner is an extract from the official share

But, as a western banker in Moscow explained, "if you are willing to pay for an extract, you can get as many as you like". So, although none admit to having been duped themselves. Russian bankers say that some businessmen, particularly in the provinces, are doing a steady trade in fake extracts. The unfortunate buyers learn they have been deceived only when they try to add their names to the official register and discover that

their vendor does not appear. These fake extracts are coming to be known as "dead souls" in a reference to the eponymous 19th century Russian novel by Nikolai Gogol, whose hero bought up documents establishing his ownership of serfs who were no lon-ger living. After the liberation of the serfs the Tsarist government compensated their former owners, a scheme which Gogol's hero cashed in on, using his proofs of ownership of "dead souls".

But even for careful inves-tors, who avoid buying fake shares by sending their agents to personally inspect the share register in Siberia, or wherever it happens to be located, the difficulties have only begun. A registrar is allowed to take up to three days to alter the books and the agent may have to hang around and quene. The official is allowed to charge a transaction tax and the rate can reach as high as 5 per cent of the value of the deal.

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ERS'

MAKE

ISINESS.

That is, if the buyer is lucky. The official will sometimes decide that a piece of paperwork is missing and send the agent back to Moscow. Some companies such as Gasprom, companies such as Gashadur, the Russian gas glant, can obstruct by exercising its right of first refusal and offering a langhable price to the seller.

Getting hold of shares is different approach, safeguarding

ficult enough; safeguarding them is a more fundamental problem. According to Russian law, any enterprise with more than 1,000 shareholders is obliged to entrust its register to a "separate" organisation. But, in practice, many of the registers of Russia's largest factories are controlled directly by the company and are often located in the compa-

ny's headquarters. The overpowering fear of western investors is that their shares will disappear from the record. A registrar, influenced by the issuer, could in theory just say that an investor had sold its shares. The registra-tion book could be stolen or destroyed in a fire. "It could be an effort to defraud, to lie, or just a simple error," says
Ms Yvonne Rogers, head of
settlement for Chase Manhattan in Moscow.

sworld, a London-based company which dominates the Russian metals trade, alleges are a conservative banch. I'm not sure whether this thing is good for their heart rate." occurred at the Krasnoyarsk Aluminium Smelter, one of the world's largest aluminium

the challenges of the final frontier

hen Barton Biggs, Morgan Stanley's global strategist, turned maximum bullish on Asian markets, he sparked an eastward-bound stampede into a port of the world which was ill prepared for floods of foreign money. Paper-based systems buckled, bottlenecks expanded and, in some cases, custodians caught in the middle were forced to close their doors to new business.

As Darwin Doo, director of institutional services with Standard Chartered Equitor Group, says: "The good fortune of markets turns out to be a nightmare for custodians.*

Standard Chartered Equitor Group, like Hongkong Bank, operates in the region as a subcustodian handling on the ground execution for the globals who do not themselves have an agency network, such as State Street.

"If it is a paper-based market, then as a sub-custodian you are always vulnerable to sudden increases because those markets are less efficient. In other places where there is a central depository, such as Hong Kong and Thalland, it is relatively easy to absorb large volumes," says Jeremy Davies, senior manager for Asia Pacific Securities Services at Hongkong Bank.

On the Kuala Lumpur stock exchange, turnover on April 15 1993, just before the boom, was a typical US\$0.96bn. Less than a year later, during the peak at January 5, it had surged to todians themselves, ought to US\$2.02bn - higher than Wall

The Pacific Rim: Louise Lucas on the eastward-bound stampede

Unravelling the nightmare

Equitor Group was closed to new business in Malaysia for six months, after expanding the local staff base to 225 at the peak (in March this year) from 45 at the beginning of 1993. Citibank, after closing its doors in Malaysia, is now open on a

selective basis. Even worse problems were encountered in India, where a US\$250,000 deal can translate

The western institutions are the most demanding investors the Asian markets have met'

into a truckload of scrip, bringing an "unduly high" degree of risk to the custodian and his

Says David Handmaker. vice-president at JP Morgan in Hong Kong: "The western institutions are the most demanding investors the Asian markets have met. They invest huge amounts of money, they come from mature markets and expect things to look as clean and as easy through the global custodian on a new market as happens on the stock exchanges of New York or London. Their job is to seek returns and they cannot sit make the markets efficient." But the markets are becoming more efficient, as governments - often advised by the custodians - seek to eliminate the problems of the past years.

In the Philippines briefs have already gone out to tender and Indonesia plans to move to a central depository system starting from the middle of next year. In Kuala Lumpur automation is already under

Other Asian markets were quicker off the mark, including Hong Kong, Thailand, Taiwan and Sri Lanka, which last put in fully automated and clearing systems before the floods of money came rushing in.

Among the emerging mar-kets, China scores highest in terms of efficiency as the country's two exchanges started life with scripless systems. Custodians such as Citibank worked with the stock exchange in Shanghai to devise processes and procedures when it set up its central depository.

Christine Tam, vice-president of Citibank in Hong Kong. says: "In China we sat down with the stock exchange officials and went through the procedures with them and explained international investors' perspective and percepdevelop a system to box in those risks. This is the advantage of China over a paperbased system - it started with a blank piece of paper, so there was not masses of paper, registrars or existing processes to

A further demonstration of

work with."

the global custodians' role in weaning emerging markets towards maturity came when the Malaysian central bank, in a bid to quell speculation in the ringgit, insisted foreign banks with big ringgit deposits pay a reserve on those deposits – a move tantamount to telling foreign depositors their mone would earn negative 3 per cent

For the banks who were holding cash on behalf of investors waiting to buy stock this was a nightmare. Mr Handmaker says it was down to the global custodians to explain the situation to investors, to absorb the 3 per cent levy, and to sit down with officials of Bank Negara and explain that not all deposits added up to currency speculatom of the settlement system

then operating in Kuala Lum-The flip side of greater dians are always running to catch up."
Custodians are responding to

this pressure by ensuring pricing is competitive and beefing up the services offered; both vanilla services such as information and trade settlement, and newer added value services such as proxy voting (as pension funds, especially American ones, play a more active shareholding role), catering for individual investment decisions within pension funds, contractual income and settlement or stock lending. Demand for custody of fixed income instruments in the Asia Pacific regions is also

new entrants are enticed in

and customers expect to pay

less for the custodians' ser-

Competition in Asia has

grown, and custodians talk of

pitches where the contract is

carried off by the manager

quoting zero fees (looking to

earn his living from added ser-

The markets are

becoming more efficient,

as governments seek to

eliminate past problems

people are saying in the mar-

ket place, there might be a big

shake-out among the big global custodians in the coming two

years. There are just too many

has also become more competi-

tive, says Mr Handmaker.

"Any pressure the sub-custodi-

ans are seeing, the global cus-

todians see first. It is common

for people to say to global cus-

todians: You are just the con-

duit, why am I paying you so

much money?' So the global

custodian goes to the sub-cus-

todian and cuts him down.

Both the global and sub-custo-

For the global custodians it

competitors."

Mr Doo says: "From what

vices such as stock lending).

expected to grow.
State Street, like Citibank one of the world's top five bigest global custodians, adds value in the area of technology, which it uses to produce high value custody services such as performance measure ment and portfolio analysis which looks at investment returns, risk, currency attribution, trade execution (for example comparing broker commis sion against strike price over a period of time to see how efficient brokers are), soft dollar information, currency overlay

Robert Williams, managing director of State Street in Hong Kong, says: "Very few clients cross-selling is what tends to protect your margins as your product matures. But part of it also is to keep the product

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"With Cedel as our custodian, we get a truly global service reinforced by effective local support.

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GLOBAL CUSTODY 10

Voting rights: Norma Cohen looks at the procedures for shareholders

The cost of making your voice heard

the history books. For that, investors say, what you need is a really good custodian, particularly if you are talking about making your voice heard at companies you own abroad. Since 1988, the US Depart-

ment of Labour has interpreted the Erisa laws, setting out the rules under which US pension schemes are to be administered, to mean that there is an obligation to scheme members to exercise their rights at companies in which they have a

t is one thing for institu

tional investors to flex their

collective muscles under

the gaze of companies whose

shares they own, but it is quite

another to deliver the knock-

out punch that sends an

entrenched, inefficient and

profligate management into

As a result, custodians estimate that US pension funds vote nearly all the time and on every issue which is laid before shareholders at domestic cor-

Investors in other countries are far less diligent about voting their shares, but are increasingly interested. In the UK. the National Association

ing shareholder attention to contentious items on corporate agendas at the annual general meeting. The NAPF says the incidence of corporate voting has risen dramatically from the less than 20 per cent level Service of this type is clearly recorded just a few years ago. Voting on foreign shares by

remains sketchy. In July, the US Department of Labour clarified the obligations of US pension funds to vote their foreign proxies, say ing that there is the same oblithere is to vote them at home. What do clients want?"

British shareholders, however

asked Meade Reynolds, manager of global corporate actions in the global custody division of Mellon Trust. "Basically they want a vote in every single market and at every annual general meeting in every mar-ket they are in."

Clients not only want to vote, they want to know the

In coming up with a short-

substance of issues they are voting on. For instance, Mr Reynolds said, if a new firm of auditors is appointed, clients want to know more about the previous firm. Also, clients want to see proof that their votes were actually cast.

likely to be costly. Steven Davis of the Washington D.C.-based Investor Research and Responsibility Center (IRRC), says the Department of Labour does offer one caveat. "The Department said that pension plan officials can properly decline to vote a proxy where they judge that the costs would outweigh any benefits," he said.

However, because several of the large public sector schemes had been actively - and successfully - prodding their custodians to cut the cost of overseas voting for several years, there are few markets where it can be said there is no obligation to vote, Mr Davis said.

Global voting by US institutions rcentage of non-US proxies voted

Indeed, Americans have been found to outnumber domestic shareholder voters in markets such as Australia and the Netherlands where locals do not have the instinctive urge to vote their proxies so conscientiously.

Among large schemes, the state of Connecticut has been successful in working with its

custodian for the past few years and is now able to vote in most markets in which it

An IRRC study found that the percentage of non-US proxies voted has risen dramat ically in the past few years from 24 per cent of all shares held in 1991 to 71 per cent. Mr Reynolds said that Meland proxy voting are part of the entire package of services which a sub-custodian takes on when a contract is negotiated. Therefore, there should not be additional significant costs associated with it. State Street Bank has also

lon Trust, which operates in 48

foreign markets, takes the

view that corporate actions

been successful in negotiating contracts with sub-custodians which envisage no additional charges for proxy voting ser-

Mr Davis notes that until recently, many sub-custodians had to be dragged "kicking and screaming" to perform the task of proxy voting abroad. However, given growing client nand, some are now helping to alter rules in several countries which make the costs of voting unacceptably high. Mellon Trust has compiled a

sive countries in which shareholders can exercise their voting the pack. There, an institutional investor must pay \$300 to cast a proxy ballot at a

Mr Reynolds explained that in Sweden, the authorities insist that the beneficial owner of shares be the actual voter. This requires the custodian to obtain a power of attorney to vote on the pension fund's

Also ranking among highcost centres is Greece, where a proxy vote costs \$214, Finland, where the cost is \$213 and italy where the cost is \$128. In Italy, ysical representation at an AGM is required so the subcustodian also incurs the cost of air fares and/or hotel bills in proxy voting.

Other expensive countries are Argentina, Portugal and Venezuela where the cost is

"Only these seven countries appear to feature proxy voting costs high enough to raise

questions about whether the effort is worth the expense, the IRRC said.

Other countries such as the UK, Australia and Hong Kong have made proxy voting easy and cheap, Mr Reynolds said.

But Mr Reynolds says that nowhere is it as difficult to exercise voting rights as in Japan. "In Japan, 85 per cent of all companies hold their AGM on the same day. Information is given out only two weeks in advance and instructions on voting must be lodged 10 business days before the meeting. Given the difficulties of

translating a large volume of documents, sending the translations to shareholders and collecting the hallot cards, voting in Japan is a logistical nightmare. in June this year, on the day when most AGMs were held, Mr Reynolds said he travelled to Japan to hand-deliver the proxy votes and to attend

But Mr Reynolds says that US funds generally believe proxy voting is worth it. "In Singapore and Malaysia, where companies pass these outrageous compensation packages for former directors, the Americans are saying 'No way'," he noted.

many ways to spread the risk in dealing with subcustodians as there are subcustodians to share it, says

Alistair Reid, of Barclays

Global Securities Services. the risk and how much it should cost is provoking ents, particularly as they move their investments into new

todians fear to tread. "In the area of risk, the question of sub-custodian risk has taxed the market for some time." said Valentine Feerick. head of global trust and custody at Mellon Trust Europe. "There isn't another business in the world where you hire someone to do a job who isn't responsible for the work of a

For the UK's Prudential, custody industry by deciding to outsource its £40bn portfolio of UK and international securities, there was only one answer to the question.

"Sub-custodian risk is something we want nothing to do with," said David Hanson, a director of Prudential Portfolio Managers, the fund man-

list of 10 international banks to compete for the contract, The most dangerous markets Mr Hanson said it was made clear that a condition of winning the contract would be that the bidder assume the risk of any failure to perform on the part of sub-custodians. Any bank which was not prepared to go some way towards that goal was removed from

Of course, the Pru, with one of the world's largest global custody contracts to award, is in a secure position to demand sible for selecting the sub-cusexacting conditions of any bank. However, not all custodian, and live with any tomers are in such an enviable position, nor are all of them sufficiently well-informed about the issue to make such a

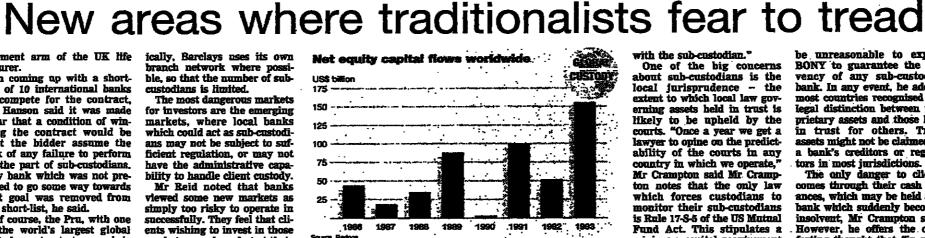
At Barclays, Mr Reid said, the bank stood behind its subcustodial network, indemnifying clients against losses. Typ-

the short-list, he said.

ically, Barclays uses its own branch network where possible, so that the number of subcustodians is limited.

markets, where local banks which could act as sub-custodians may not be subject to sufficient regulation, or may not have the administrative capability to handle client custody. Mr Reid noted that banks viewed some new markets as simply too risky to operate in fully. They feel that clients wishing to invest in those markets may do so but at their own peril, and must be respon-

Where a Barclays branch is used, the bank offers clients the opportunity to check their assets in the relevant country, he said. Where a sub-custodian is used, Barclays asks that bank's auditors to provide a "comfort letter" assuring Bar-



Sub-custodians: who bears the risk? Norma Cohen considers the options

clays that it is fulfilling its contractual obligations.

At Mellon, the bank will assume all the sub-custodian risk with the exception of events falling under the force majeure clause. "That means things like military coups,

Mr Feerick explained. How-

ever, he notes, there is a price

for assuming that risk. "You

might quote a stightly lower price for the service if the cli-ent assumes the risk."

Bank of New York, one of the world's largest global cus-todians, stands behind the subcustodian for all operational errors, said Richard Crampton, managing director at BONY. "We will see our customer harmless and sort it out

One of the big concerns about sub-custodians is the local jurisprudence - the extent to which local law gov-erning assets held in trust is likely to be upheld by the courts. "Once a year we get a lawyer to opine on the predict-ability of the courts in any country in which we operate," Mr Crampton said Mr Crampton notes that the only law which forces custodians to monitor their sub-custodians is Rule 17-S-5 of the US Mutual Fund Act. This stipulates a minimum capital requirement for sub-custodians, and insists that they operate in environments where trust law is comparable with that in the US. As a result, Mr Crampton said, "there are some central African countries where US mutual funds cannot invest

because they cannot find appropriate sub-custodial BONY to guarantee the solvency of any sub-custodial bank. In any event, he added, most countries recognised the legal distinction between proprietary assets and those held in trust for others. Trust assets might not be claimed by a bank's creditors or regulators in most jurisdictions.

The only danger to clients comes through their cash bal-ances, which may be held at a bank which suddenly becomes insolvent, Mr Crampton says. However, he offers the comforting thought that "in most of the really diabolical markets of this world, you wouldn't have much cash on deposit anyway.

Moreover, he says, in the newer emerging markets – and indeed, even in several mature markets - clients are at far greater risk from the clearing and settlement of securities transactions than they are from their local custo-

dian. The dangerous period is while a securities transaction is still waiting to settle, rather than afterwards.

At Morgan Stanley, the issue of sub-custodial risk is a significant one, because the investment bank has almost no custody branches outside the US and the UK. "We will indemnify clients against fraud, negligence and wilful misconduct," said Ross Whitehill, head of global custody. "If you don't do that, you miss out on most of the larger man-

Morgan Stanley says that, short of that, it will do everything it can to sort out operational errors, some of which are the result of the client failing to instruct the sub-custo

dian on time. "We try to help." Mr White hill explained. However, the extent to which Morgan Stanley is prepared to bear its clients' sub-custodian losses is often a function of the value of the total account. "It gets down to how good the relationship is." he explained. For a client who had been squeezing the fees and routing other business elsewhere, Morgan Stanley would be less willing to cushion the loss.



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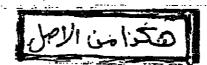
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City in search of a higher status

Bristol has realised that it must take action if it is to improve its position in the league table of British cities. Roland Adburgham reports

ristol is a city in search of a new role. It is the economic bub of economic hub of south-west England and in the top 10 of UK cities in population. But two centuries ago, it was the second city in England. For generations, it complacently lost ground in terms of status. The recession of the early

1990s caused attitudes to change. During the 1980s, Bristol and the surrounding county of Avon benefited from business relocations from south-east England and a rapid growth in the financial services industry. But the recession not only curbed that growth but coincided with the impact of the peace dividend on the defence and aerospace industries, an important part of the local economy. Only last week, another 550 redundancies were announced at British Aerospace's plant at Filton,

In consequence, the city has realised it must take action, if it is not to slip further down the league table of UK cities. There is a belated awareness that it has not fulfilled its

That it has greater potential is undoubted. Mr Brian Leonard, director of the Government Office for the South West, one of England's new integrated regional offices, says: "It should be a top-flight national and European city. There is absolutely no reason why it can't be those things, because of its strengths - the

strengths are enormous." These include its proximity to the M4 and M5 motorway network, the existing Severn bridge to Wales and the second crossing, due to open in 1996. There are main-line railway links and a thriving port, although the local road system is inadequate. The maritime and trading history - the Society of Merchant Venturers, founded in 1552, is still influential - gave the city six miles of quayside. There are handsome Georgian and Victorian buildings, even if the centre is despoiled by unsightly postwar blocks. And the county

includes the world heritage

city of Bath.

For employers, Bristol and Avon offer a high standard of education with three universities and a skilled workforce. especially in engineering and financial services. The west of England, according to an analysis by Coopers & Lybrand, the accountancy firm, is the largest UK regional centre for financial services in terms of employment. A survey this year of 500 executives, carried out for Management Today magazine and Black Horse Relocation Services, showed Bristol was the most popular

The recession, however, showed up the weaknesses and caused Bristol to rethink its role. Perhaps because it offers an agreeable way of life, it is not a dynamic city - the only sense of urgency is at 5pm when people start heading for home. It lacks other qualities which make a great city. Its shopping is outclassed by Bath and although it is seen as relatively prosperous, it has been regarded as a city riven by fac-

choice for relocation.

The business community viewed the Labour-led city council as unwelcoming and obstructive. Partly in consequence, most recent development has taken place to the north of the city, in another

local authority area. South Bristol, in particular, has been left with intransigent economic and social problems. There are other pockets of deprivation and many homeless people.

Government showed its disdain for the city council by imposing a development corpo-ration in 1989 and rejecting two bids for City Challenge grants. Last year, the city failed to win European Objec-tive 2 funding for areas in industrial decline.

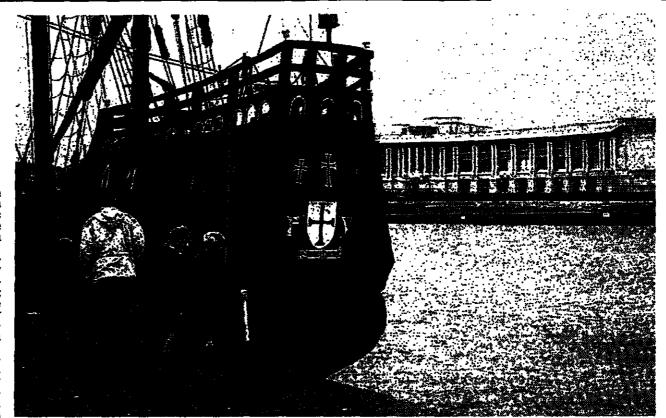
The council, under local government reorganisation, will benefit by regaining unitary status with the intended abolition of Avon county council in 1996. But the government has not accepted the argument - which is supported by business groups - that the city should embrace more of the

Avon council, which never won popularity, is resigned to its fate, but the city council has undergone a conversion in its attitude to the private sector. "There has been a seachange here," commented one senior officer.

he change began with the sale of the port in 1991 and has been further encouraged by a new chief planning officer, Ms Diana Kershaw, and chief executive, Ms Lucy de Groot, who was appointed in March. There is, Ms de Groot says,

"a very genuine spirit of active partnership. There are real players to work with - we have very good relationship with Bristol Chamber of Commerce and Initiative [the Chamber has merged with a business ginger group, the Bristol Initia-

"What's happened in the last



year is a recognition that there are problems which cannot be solved by individual interests doing their own thing, or waiting for the next cycle of the economy."

Mr Chris Curtis, director of the south-west Confederation of British Industry, comments: "We see at last local authorities realising that planning and land-use policies have a direct bearing on economic growth at last, that is realised in Bristol."

Part of the Government Office's role is to ensure the south-west's case is given a fair hearing in Whitehall, which appears responsive to the evidence of changed attitudes in Bristol. This month £6.2m was granted to improve a deprived estate in Hartcliffe.

The city now has a sponsoring minister - Lord Astor, a national heritage minister - as a direct link with government. The most significant outcome of the spirit of co-opera-

tion is the Western Develop-

ment Partnership, a public and private sector forum set up last year to co-ordinate economic strategies in Avon and promote the sub-region. The partnership, together

with similar bodies in the four neighbouring counties, has convinced the Department of Trade and Industry to provide £100,000 initial funding for an umbrella agency to attract inward investment to the west

Within Bristol, another partnership is the Harbourside project for what should be the city's best waterfront site at Canon's Marsh. Typically, it had been allowed to decay for decades, apart from the notable recent arrival of Lloyds Bank retail beadquarters.

The council is promoting Harbourside, with other landowners and the chamber of commerce, as "the single most significant development in Bristol in the past 40 years". The more positive attitude

comes as the local economy

margins are still fairly tight." ployment in the city's travel-to-Uncertainty about the recovwork area has fallen to 8.1 per ery is reflected in the city's lack of clarity about its future. cent. The latest quarterly survey by the chamber of com-Manufacturing has become much less important than the merce showed 76 per cent of service sector but, says Ms de manufacturing companies and 72 per cent of service compa-Groot: "It can't just be a professional city - there have to be things for the professionals nies reported improvements in turnover, although fewer than

to be doing."

Mr Leonard comments:

funding from the government's

single regeneration budget. Its

first objective is "to promote

Bristol's image as a vibrant

The city may not have that image yet, but at least it has

European regional capital".

full capacity.
"Undoubtedly there is a "Bristol can set its sights high covery taking place," says but it has to mobilise to be Mr Curtis. "But the recovery is successful and that's not easy.' It needs, he believes, to look not spread evenly - it is only companies with a particular for allies and learn from the tactics adopted by other cities market position which are doing well, the others are and regions. One new tactic is the Bristol static. Investment is certainly improving, but employment in Regeneration Partnership, formed by the public and pri-vate sectors to bid for project manufacturing is continuing to

40 per cent were operating at

Mr Donald Merrylees, director of the Bristol and Western Engineering Manufacturers Association, says: "Things are looking better - the majority of businesses are busier than two or three years ago. But there aren't long order books and

decrease."

IN THIS SURVEY

headquarters of Licyds Bank's UK retail banking operations is Bristol's jewe

☐ Professional services: Accountancy and law firms are well represented in the vice is high......Page I

☐ Economic development The need to respond to rapid structural change has caused the public and private sectors to devise a shared strategy Page ill

☐ Industry: a history of industrial diversity has ensured that the city never became too dependent on a



Bristol Tourism Forum, says there has been a turnround on tourism Page V ☐ Transport links: One of Bristol's strengths is its geographical location. But it acks an international

regional airport......Page V The port has been trans formed since it was privatised three years ago. Together with the second Severn bridge it is a catalyst for developmentPage Vi Community enterprise:

How an information 'highway is helping to stimulate regeneration of a deprived

☐ COMPANY PROFILES Colleagues Direct Marketing Badgerline Paragon Book Services GWR Group Page VIII

□ Production Editor: Philip Sanders

Making Bristol Work Bristol Development Corporation, in its short life, has regenerated the heart of Bristol: thousands of jobs have been created; hundreds of homes built; thousands of square feet of office space developed or available for development. And we have created one of the most successful leisure and retail developments in the South of England. The £50 million Avon Meads and Castle Court development has received a massive 'thumbs up' from the people of Bristol. 92% of visitors say the complex is something the

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NatWest Life's European Headquarters at Quay Point



If you would like to know more, telephone Miles Collinge, Chief Executive, on 0117 925 5222 Bristol Development Corporation, Techno House, Redcliffe Way, Bristol, BS1 6NX



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drawn these companies to the

west and to Bristol in particu-

lar are numerous. Mr Michael

Edwards, deputy managing

director of the insurance Ser-

vice - the direct insurance arm

of Royal Insurance - lists most

"We chose to set up business

here because of the good qual-

ity and largely underemployed

workforce, the exceptionally

good road, rail and air links,

the pleasant environment and

the excellent support services

such as PR, marketing, design and print," he said. "The peo-

ple here are fairly lively and

housed in the futuristic blue

Spectrum building, near the

city centre, has been based in

Bristol since its start-up in 1987

and now employs 500 people.

which first began in 1985, was

hardly touched by the reces-

sion, says Mr Edwards, By the

end of last year it had a 20 per

cent market share of the UK

motor insurance market. "It is

great for Bristol to have grow-

ing industries such as ours

Add to Mr Edwards' list the

strong links that exist between

business and Bristol's two uni-

versities and business school.

and the large supply of skilled

graduate labour these provide

and it is easy to understand

why companies are attracted to

"Bristol is an international

Graham Bowley

he quality of professional

services is crucial to

Bristol's success as a

financial centre, and from this

point of view it is well placed.

Accountancy and law firms are

well represented and the stan-

is very healthy in Bristol. The

big six national firms are here

as well as some smaller firms."

said Mr Ian Robinson, manag-

ing partner specialising in cor-

porate finance at KPMG Peat

Marwick, one of the largest

accountancy practices in Bris-

tol with 17 partners and 260

for the client and there is a

very good choice of profes-

sional advice available." he

"Regional law firms are win-

ning business from London

firms. In Bristol, we are com-

peting on quality and winning

on price to the extent that we

are now a force to be reckoned with," said Mr Jeremy Phillips, a partner at Eversheds Holt

Phillips & Buck, a recent addi-

tion in Bristol to the Eversheds

national network of legal

firms.

Mr .Phillips is optimistic about Bristol's future and the

role the professions have to

play in it. "Bristol has a bright

future as a financial centre.

There are some very encourage

ing signs and that is one of the

reasons why it was so impor-

tant for us to have a represen-

tative in the city," he said.

After years of lobbing, Bristol has recently been granted its own mercantile court, one

of only two outside London.

The hope is that it will provide

an opportunity for Bristol to make further headway against

Osborne Clarke is probably

the leading law firm in Bristol – and probably also in the whole of the south-west region. It has a staff of 300 in Bristol,

including 28 partners, and acts

for, among others, the local independent television fran-

chise holders HTV, the local

electricity company SWEB and local health authorities.

Osborne Clarke is in a strong position and is expanding - it has an annual fee income of

about £12.5m, almost double

"The message nationally is

London.

that in 1989.

This is a well-fished pond

The accountancy profession

dard of service is high.

magnet for the insurance

industry and for finance," said

Mr Edwards.

The Insurance Service,

optimistic," he adds.

of them:

Symbol of a resurgence

Stand high on Brandon Hill, near the centre of Bristol, and look south over the impressive

This city, the successful, thriving business capital of Britain's south west in the 1980s, has since suffered a painful recession and the decline of many of its traditional industries.

Down below Brandon Hill, however, is what many Bristol people believe is a symbol of a resurgence in the city's fortunes, Bristol's "jewel in the crown". It is large and spectacular, sitting squat on the waterfront at the heart of the city's docks - the headquarters of Lloyds Bank's UK retail banking operations.

Lloyds' decision to move its retail operations to the city where it now employs about is seen by many as the final seal of approval of Bristol as a leading financial centre. It is on this role that Bristol people are pinning their hopes for the city's future.

"Bristol has suffered from a severe recession and from its switch from an engineering and merchant-type background to a more service-orientated economy," says Mr John Burke, chief executive of the Bristol & West, Britain's eleventh-largest building society, which has Bristol as its home. "But there are now positive signs of recovery and there is a growing realisation that its attractions now make Bristol second only to London as a

Bristol & West employs about 3,800 staff, 1,000 of them in Bristol, and has a network of about 170 branches, 64 of which are in the south-west

The fact that many leading national and international companies have chosen to locate in Bristol over the past few years - Lloyds Bank and the Bristol & West are not alone in choosing Bristol as a home - is testament to the qualities the city has to offer as a financial centre.

The insurance industry, in particular life insurance, is strongly represented here. The most significant insurance start-up in the past few years

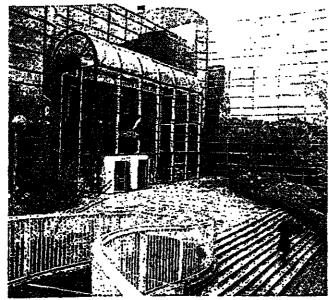
MEAN

A £1 BILLION

INVESTMENT

PROVES WE

BUSINESS





National Westminster Life chose Bristol as its base; and the UK's most successful direct marketing company. Direct Line, is shortly to open an important new operation in the

According to a recent report on financial services in the west of England, by accountants Coopers & Lybrand, about 55,000 people in the Bristol area are now employed in the financial services sector. If the professions that provide support for that sector - accountancy and the law - are included, the number rises to

The insurance industry accounts for about 51 per cent of this total, the report finds. Banking and finance, another important sector, accounts for 22 per cent - the Bristol bank Tyndall, Lloyds' and Coutts' private banking operations and the merchant bank Singer & Friedlander can all be found within the city.

Building societies account for 22 per cent; venture capital and other smaller sectors account for the remainder. The local Chartered Institute of Bankers has no fewer than

The report finds that the total assets controlled by financial services organisations headquartered in the west of England, with Bristol as its capital, is now in excess of

uests to lunch with Coutts & Co's bank in Bristol's Corn Street, the historic business quarter of the city, are greeted by a frock-coated Mr Bruce McColl, its manager, and asked to sign the visitors' book with a quill

For Coutts, Bristol was only its second branch outside London (the first was at Eton). It opened in 1976 and subsequently a small office was

The south-west is seen as having a big potential for private banking. Lloyds says that in the first half of 1994 it gained more than 600 clients at its offices in the south-west and south Wales and £145m in additional funds. This brought the total to more than 8,500 clients and £1.4bn. accounting for a quarter of its national

vide a more personal service

PRIVATE BANKING A more personal service

While this welcome sets Coutts apart from the usual reception that customers receive at a bank, it is evidence more of traditional values than its present-day way of conducting business. Coutts, founded in 1692, is anxious to show that private banking, far from being outdated, is gaining appeal with people who want a more personal service. In recent years, it has been opening branches in several UK cities. The big banks - and Coutis

is owned by National Westminster - have been coming round to the same opinion. Lloyds Private Banking, second to Coutts in terms of total funds under management, began as an adjunct to the retail bank but adopted that identity. It has 31 offices and, last year, moved its Bristol branch to new premises in Clifton.

Private banking aims to pro-

Coults & Co's bank in Com Street, the city's historic business quarter is, Mr McColl says, about "get-ting close to people and undering in Clifton, says: "Bristol

have the time to do this." There is an increasing emphasis on asset management, with the vast majority of clients opting to give the bank discretionary management of their Inevitably, many existing

customers are elderly, but Courts says new clients tend to be in their 40s and, often, have made large sums in selling or floating a business.

Mr Nigel Richardson, manager of Lloyds Private Bank-

produces a very high volume of new business. There is a lot of wealth in the area. It used to be old ladies and widows, but is now tending to be younger people who have made their way in busines but don't have time to look after their own affairs." The branch has 1,400 clients with £200m under manage

In the case of Coutts, which has 1,200 accounts at its Bristol branch, an average balance. of at least £3,000 must be kept charges. Mr McColl says: "Peo-

ple are buying a relationship, and are not terribly excited by what £3,000 would earn in the Halifax, after tax at 46 per cent." For fund manager the usual entry point is £250,000 and charges are nego-

Lloyds has a minimum for fund management of £75,000 in free assets. Mr Geoffrey Belley, chief manager of invest ment services, says: "Orie thing we don't sell is our own products - if we did, they would have to be better. We would have a very slim defence if they didn't perform well." The fee is determined by the value of the funds-in Lloyds' case, it is an annual 1 per cent and subscription

charge of £140. Courts and Lloyds are both auxious to stress that the personal touch is not at the expense of professionalism. Courts comments: "We have a global expertise and depth of knowledge – we're in 17 jurisdictions around the world and have fund managers in five key locations investing

Lloyds, like Coutts, cultivates an image to distinguish it from ordinary retail banking. In Clifton, it occupies a large Victorian house, only identified by a discreet brass plate. The house, complete with conservatory, has domestic furniture and aims to create an atmosphere in which clients feel at home. It is in sharp contrast to most peo ple's main contact with their bank – a hole-in-the-wall cash

Roland Adburgham

Graham Bowley on professional and business services

that we can offer clients superior access to our partners, that we have a very high degree of technical skill and we offer value for money." said Mr Leslie Perrin, a partner spe-

in the legal profession in Bristol is being seen in litigation

seen a very substantial activity since the spring of October.

'Whereas in 1992 we were doing only two or three trans-13 corporate finance transactions," said Mr Hillman.

growing, partly because of relationships made through the corporate finance deals but also because of the economic recovery."

He said: "For three to four

looking for business. Business is coming to Bris-

Solomon Hare is smaller

Quality is crucial practices in the West Country. there is a high level of actuar-

Its client base, says Mr Nicho-

The professions face

important challenges

merchant banks."

cialising in litigation .

Second to Osborne Clarke in the region is Burges Salmon, nationally renowned for its expertise in agricultural law. Bevan Ashford, Veale Wasborough and Wansbroughs Willey Hargrave are the other leading Bristol firms.

and corporate finance.

Accountancy is also focusing on corporate finance. "We have increase in corporate finance 1993," said Mr Andrew Hillman, a partner specialising in corporate finance at Touche Ross in Bristol, which merged with BDO Binder Hamlyn in

"Audit and tax are also

years our clients have kept their heads down but now increasingly they are out

tol," said Mr Hamilton of KPMG Peat Marwick. "Incoming firms can get a whole range of professional services including accountancy, legal advice, venture capital and stockbroking. All of it is here and it is in good shape." He estimates that this year his firm will be doing 50 per cent terms than in 1993.

than the "big six" accountancy firms but is nevertheless one of the largest of the independent

ial support."

las Reeve, a partner at the firm, has tended to be smaller Singer & Friedlander, the merchant bank, has an office public limited companies with in Bristol with a staff of seven a market capitalisation of covering the south-west and about £50m "which are rela-Wales area. On the stockbroking side. tively plentiful in this region."

there are nine firms operating He said: "On several of our in the Bristol area, Probably deals this year we have mantwo of the largest firms are aged to persuade clients that Albert E. Sharpe and Laws & Co. Albert E. Sharpe, the Birmingham-based broker, took over the private client Bristol following the demise of British and Commonwealth, its parent. Laws & Co., part of Allied Provincial, has a staff of the team should be Bristol-

based and so we have attracted 24 dealing mostly with private work to the other Bristol proclients in and around the Brisfessions - lawyers, brokers and tol area. Rowan Dartington, of which If there is a weakness in the financial support services in Singer & Friedlander is the Bristol, it is in stockbroking and merchant banking, which are relatively poorly repre-

largest shareholder, deals more for institutional corporate chents - the split is 70 per cent institutional and 30 per cent "There is only one local stockbroker to speak of caterprivate clients, according to Mr Barrie Newton, managing director. He says the firm, ing for corporate clients and ere is only one merchant which has a staff of 15 in Bristol, has 20 corporate brokerbank," said Mr Hillman. "That is a real weakness in the ships and is dealing for 80 south-west. On the other hand. mainstream blue chip institutions such as pension funds and insurance companies. Despite their general healthy

state, there is a wide consensus among those in the industry that the professions in Bristol face important challenges over the coming years.

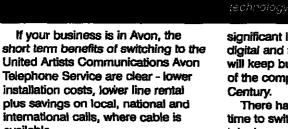
"Historically, many large companies had their headquarters in Bristol and as a result used the city's financial services a great deal," said Mr Robinson. "But many of the decision-makers have now disappeared and been replaced by subsidiaries and their headquarters in London use London services. In the last 12 months there has been the beginning of some return of locally-based companies and it is our job to convince them to use our ser-

The professions' success will depend critically on their continuing ability to offer high quality services at competitive prices and with a high degree of accessibility compared to

their London counterparts. Mr Martin Warren, a partner at law firm Eversheds Holt Phillips & Buck, said: "The rise of the regional firms will continue to depend on being competitive, providing quality services in specialist subjects and offering accessibility. Clients want accessibility, despite the age of the fax and the phone, and however big the London firms are they cannot do that

in the regions."





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these immediate benefits lies a



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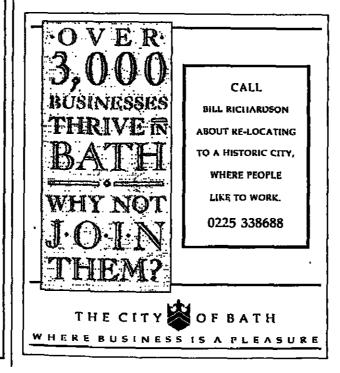
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Roland Adburgham looks at economic development

Shared strategy devised

For load early to a second ear seen as one of the more suc-cessful sub-regions in the UK, with an employment rise of 12 per cent, the biggest increase for any mainly urban area. The county has 23,000 businesses, employing 400,000 people.

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ANKING

The growth was led by business and financial services with companies relocating from London and the southeast. This masked the decline in traditional manufacturing such as tobacco, transport, food, chemical and mechanical

By 1991, financial and business services accounted for 16 per cent of the workforce while distribution, hotels and catering employed 21 per cent, Manufacturing accounted for only 18 per cent

The recession braked inward investment from south-east England and jobs were shed from aerospace and defence industries. Between 1989 and 1991, the census of employment shows, defence jobs fell by 10 per cent, tourism by 12 per cent and construction by 17 per

An overdue awareness of a need to respond to rapid structural change has caused the public and private sectors to devise a shared strategy for economic development. In 1993, they formed the Western Development Partnership in Avon, an umbrella organisation to pull together previously unco-ordinated activities.

Its partners include all seven of Avon's councils. Bristol Chamber of Commerce and Initiative, the regional Confederation of British Industry and Trades Union Congress, universities and Avon training and enterprise council.

The WDP, led by Mr Richard Brown, its chief executive, has had a big impact in stimulating Bristol and Avon to be more pro-active. Taskforces have been set up for aerospace, high technology and financial services which are intended to lead to specific initiatives.

A technology and innovation management team, with funding from the European Konver fund, has been established to advise small businesses to develop new products and: bring them to market.

In September, the WDP pro-

ing a target of creating 7,000 jobs a year and of reducing unemployment at a faster rate than the UK average. The strategy seeks to create a

marketable and recognisable region" in the west of England. One of the difficulties for the south-west in promoting its case has been this difficulty of defining the region, and the multiplicity of development partnerships which sprung up

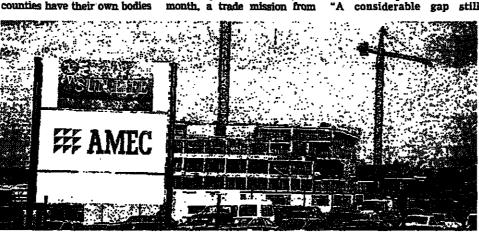
Another initiative is a North American Business Club, set up in February last year to promote Bristol as a gateway to the UK and Europe. It has gained members from 100 companies and is the only UK member outside London of the British-American Business Council, based in Washington,

In the summer, the club hosted a conference on US government procurement and, this month, a trade mission from

duced an agreed strategy for moting the city as a business training cultures. Among the economic development, includiocation. rest of the business community, it was seen as a purveyor of government training programmes and had not established its profile as a business

support agency. The survey showed that most employers recognised the need for change if they were to grow. They saw the need to improve quality, raise skill levels of staff and managers, and improve strategic manage-

But the report commented "A considerable gap still



with the result that they often the Bristol-Florida chamber of appear to compete rather than

After much lobbying, the Department of Trade and Industry is providing start-up funding of £100,000 for a single new agency - the West of England Development Agency which will seek to win

inward investment for the five counties of Avon, Dorset, Gloucestershire, Somerset and Wiltshire. Devon and Cornwall already have a governmentfunded development bureau. A chief executive for the West of England agency, which

is chaired by Sir Michael Lickiss, who heads the Somerset Economic Partnership, is being appointed and it will be based in Bath. But it is not yet clear how the relationship between the new agency and the WDP and other county organisations will evolve. In Bath, the city council

itself decided this autumn it must give more priority to economic development and to procommerce. More missions are planned next year. Mr Richard Dennery, the club's president, comments: "The awareness within the US of Bristol as a business venue is growing enormously.

An initiative for Avon's indigenous businesses is the setting up of Business Link one-stop advice shops, as part of the planned national network. A bid for funding. backed by Avon Tec and the chamber of commerce, has been made to the Department of Trade and Industry and it is intended Business Link should be fully established early next

This should help Avon Tec, set up in 1991 and now chaired by Mr Colin Green, managing director of Rolls-Royce Military Aero Engines, to become better known. A survey of 820 employers in the county this summer showed the Tec's main impact had been on large

remains between recognising the need to change and responding to it." Less than half of the companies with fewer than 100 employees had sought help in these matters.

Although 68 per cent of the employers provided training, the survey found that a third of companies - mostly those with 10 or fewer employees - were unaware of the Tec. Only a small proportion of employers had "any real appre-ciation of the role of the Tec and a detailed knowledge of the activities it undertakes." The report concluded that

the Tec needed to work more closely with other business support agencies through Business Link "However, if this initiative is to make a real impact, it needs to develop a strong portfolio of services to meet the changing needs of employers, particularly small and medium-sized enterprises, which all agencies, not just the Tec, have largely failed to

n Avon House, a block of ters of Avon county council. the lifts have an automatic voice intoning: "Doors clos-

BRISTOL III

While there is broad agreeboundaries.

The conurbation has expanaries, notably to the north. in strategic and planning terms, the new authority should have a wider remit. This view is backed by busidirector of the regional Consays: "We believe the curtailment of Bristol to historic boundaries is a serious misplanning process, and possibly worse. Services are still con-

Instead, the local govern-Sir John Banham, has attached more importance to the views of residents in outlying areas who are opposed to a Bristol "takeover." In consequence, Northavon district swood to form South Gloucestershire, Bath city council will merge with its neighbouring district Wansdyke, to form Bath and north-east Somerset. Woodspring, which is based around Weston-super-Mare. will become North-west Somerset on its existing boundaries. the transfer of powers. Avon council is by far the largest

brutal architecture in Bristol which is the headquar-

Soon, the doors will close on Avon conneil itself. Its abolition is one of the few near-certainties of the local government review in England. Subject to parliamentary orders, there will be shadow elections next May to four new unitary authorities, replacing the existing two-tier structure of six district councils and the county council, which will dis-

Bristol will then regain the unitary status it lost 20 years ago in the last reorganisation of local authorities.

ment this will benefit the city. there is disappointment that the government appears to have accepted the local government commission's recommendation to confine the new council to the city's historic

ded well beyond those bound-The city council believes that, ness groups. Mr Chris Curtis, federation of British Industry. take - a lot of companies will continue to face a confused tinuing to move out of Bristol, and the wealth-creating potential of historic Bristol is declining and its capacity to deal with deprivation is being

ment commission, chaired by council will merge with King-Uncertainties remain over GL<u>OS</u>

Local government review is ready to axe Avon council

SOMERSET Wells, Glastonbury

Bristol will regain unitary status

employer in the county, with the equivalent of more than 21,000 full-time employees and a budget of nearly £600m. However, nearly all the staff are expected to transfer to the new authorities.

In Bristol, there is anxiety that the city council will not cope with its new status. The council argues that its present standard spending assessment has been inadequate.

points out that a government-commissioned study ranks the city as the 42nd most deprived district out of 366 district authorities. The combined assessment of Bristol and Avon councils this year is £697 per head of population, compared with £817 for Coventry, which was ranked the 45th most deprived. The city council, supported

by many businesses and organisations, is lobbying for the assessment to increased. One issue is that

Bristol, by being the regional capital, provides services which those living in outlying areas use but do not support through their council taxes.

The Bristol Cultural Development Partnership says the

city's current assessment "is more akin to a minor district than a regional centre." It fears the situation could become even more worse when the city takes on responsibilities at present funded by the

county council. It says the county council is spending £400,000 this year on supporting independent arts groups. Nearly all of these arts activities are Bristol-based. If, under the reorganisation, Avon's budget is disaggregated on a population basis, then the city would face big problems in supporting artistic and cultural activities.

Avon council itself is resigned to the fact that the government is determined to abolish it. Although, in strategic terms, its creation in 1974

restriction this time of Bristol to its historic boundaries, it is and has failed to generate any popular support. For many years it has been a hung council - the present make-up is

and Liberal Democrats 17. While there is a danger of further indecision in the period leading up to its abolition, Mr Graham Badman. director of education who has been also appointed head of external affairs to oversee the handover, stresses that for months the council has been working with district councils

to prepare for abolition. One of the internal notes refers to "wind-down to ensure clean handover." Once that has happened, there will be few reminders of the old county except in such bodies as the Avon and Somerset Constabulary.

Roland Adburgham

Ine Baink of the Awom.

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Graham Bowley takes a look at academic links with industry

Particularly strong ties

successful universities, both of which enjoy a close relationship with commercial life in the city, across the UK and

The University of the West of England, or UWE, the former Bristol Polytechnic which converted to university status in 1992, has its main campus in

the north of the city. This area, close to the M4 motorway and Bristol Parkway railway station, is undergoing rapid development and anyone travelling to the university will pass through a dramatic landscape dominated by cranes and the skeletons of new buildings the headquarters of the Ministry of Defence procurement operations, and headquarters for Sun Life.

The university is quite comfortable with such rapid change unfolding around it.

"Being a former polytechnic, we have always had good links with industry," said Ms Linda Skinner, director of the universitv's Centre for Research. Innovation and Industry, which was set up 18 months ago with the help of a £160,000 grant from Department of

Trade and Industry. co-operation between the university and industry, to help

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University of the

West of England

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The university considers it vital to maintain strong links with

industry, commerce and the public sector to ensure that our

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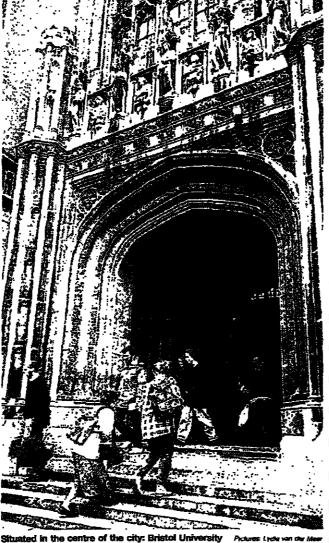
ways of putting the universi-ty's research to commercial

"What this centre does is act as a middle man between industry and academics - the university is very good at coming up with ideas but we do not exploit what we do as well as we could," says Ms Skinner. "Our researchers also work with companies to develop any unused patents, which the company may have, into something which is commercially

Ties are particularly strong

between UWE and local business. A quarter of the university's students come from the south west and 41 per cent of graduates take up employment in the region. "We draw many of our students from the region and we place a lot of our students there, so it is in our interest to promote Bristol because a thriving regional economy is absolutely vital to this university," said Ms Skin-

The centre has a small-business liaison unit which provides advice and help to small businesses within a 40-mile radius of Bristol. "We are continually asking ourselves how we can interact better with industry in the region and how we can help businesses to innovate," said Ms Skinner. She local business and to explore



nesses a week the centre talks to. 35 per cent end up doing some sort of collaborative work with the university.

Although it has ties with

most industry sectors, the university works particularly closely with the aerospace industry and Bristol's new high-technology companies.

UWE works closely with Hewlett Packard, the secondlargest US computer company. which has its European

Bristol Business School has 3,200 full-time and part-time students

research and development centre on a site adjoining the university. The two are part of a group developing a new high-speed communications network for Bristol - an information superhighway for the Bristol area, called the metropolitan area network, or Bris-

Close by the centre, and also part of UWE, is the Bristol Business School, which has 3,200 full- and part-time students working for degrees in business studies, international business studies, accounting and finance and financial ser-

"The latter is particularly relevant, given the growth of the financial services sector in Bristol," said Professor Michael Rees, dean of the Bristol Business School.

Each year as many as 200 students are placed with indus-try in the UK and abroad as part of their sandwich year out. The school also offers special management qualifications for people already at work who wish to take their training fur-

The fastest-growing area in the school - and where the ties with business are the strongest - are the "partnership pro-grammes" which the school offers; courses tailor-made to the needs of a particular organisation. In this area, the school works closely with Lloyds Bank - which takes about 100 people a year - the Bristol & West building society, NatWest Insurance Services, and also Avon county council and Bristol city council, to provide, for example, much of these compa-

Bristol University, one of the UK's leading universities which can boast several topclass research departments, is situated right at the heart of Bristol.

Mr Don Carleton, press officer, said: "The university has both long-term strategic relationships with local organisations, ranging from very large multinationals to quite small companies, and at the other extreme short, sharp relationships of some commercial

He said: "Agreements are struck at the highest level with companies, ranging from large multinationals to small local businesses, in acknowledgement that our futures are intertwined and dependent on each other. Then, at the more specific level, we have exchanges of staff and of

The university has recently won a £1m grant from the Ministry of Agriculture of Fisheries and Food to carry out research on applying processing engineering to food.

The university is heavily involved, along with the UWE, the University of Bath and commercial partners, with planning for a science park - called Emersons Green which is to be located to the north-east of the city. The aim of the park is to attract new high-technology industries into the area.

These would create jobs but they would also be consumers of what the universities do best - there would be a strong demand for our high quality graduates and research," said Mr Carleton.

In anticipation of the park. the university is working closely on a Ecu5m project concerned with advanced computing technologies with Inmos, a subsidiary of France's SGS-Thomson

Bristol University offers its own business degree - an MBA in international business at its international business unit. This graduate course was introduced in 1991 and is now on its fourth intake of students. The students, who come from all over the world, can spend time on placements at businesses in Bristol and have the opportunity of visiting uni-

ristol, it was recorded by an encyclopedia pub-lished in 1813, "is generally esteemed the second city in England, for trade. wealth, and number of inhabitants."

The encyclopedia listed, among the "considerable mannfacturers," brass, copper and lead works, turpentine and sulphur works, and the making of woollen stuffs, cotton, sail cloth and lace. There were sugar houses and no fewer than 15 glassworks.

Two thousands ships were annually cleared through the city's docks, but the encyclopedia noted that, apart from London, Liverpool had become the greatest sea port in England, "having exceeded Bristol considerably of late years."

The loss of trade to Liverpool was one reason why Bristol steadily slipped down the league table of UK cities. But Charles Harvey and Jon Press, in Studies in the Business His tory of Bristol, published by ment that the city has been much more than a maritime centre in decline.

Artec West husbons only has attracted

expected to increase further

Another recent arrival at

Aztec West is Anderson &

Lembke, a business-to-busi-

ness advertising agency set up

three years ago to serve the

high-tech sector. It chose Bris-

tol, it says, "because of its easy accessibility, value-for-

money office accommodation

and local creative talent." Also

at Aztec West is Spandex, the

supplier of sign-making mate-

rials and computers to the

com has a 24-hour call centre

in Bristol. Colleagues Direct

Marketing of Bath has proved

highly successful. In January,

NatWest Ventures completed a

£8m buy-out from ACT Group

of Brann Direct Marketing.

based in Bristol and Cirences-

ter. Brann has a turnover of

about £19m and employs 400

Computer-related companies

include Systems Team, a

systems house set up in cen-

tral Bristol in 1982. It has

become a leader in providing

services to professional associ

ations and membership organ-

tecimological bases on a 163-

acre site at Filton. Its H-P Lab-

its largest research centre out-

"We believe that Bris-

tol - with its excellent univer-

sities - is an excellent place to

conduct advanced research.

and that Bristol has much

Lack of foreign investment

ing and another four on the

unlisted securities market. But in this category, there are 219

Leading quoted companies,

in terms of net tangible assets,

include Wessex Water, South

Western Electricity and Bristol

Of the £1m-plus companies,

there are far more engaged in

wholesale and retail distribu-

tion than in any other activity.

The figure of 27 per cent of the

total compares with 13 per cent

in banking, finance and busi-

ness services, 12.5 per cent in

engineering and 10 per cent in

construction. Chemicals, met-

als, mining or plastics compa-

nies account for another 8.5

Jordans also analysed the overall performance of nearly 500 of the largest companies (in

terms of turnover) in the Bris-

tol area . According to the lat-

est filings at Companies House

sales year-on-year were up by

only 1.6 per cent but pre-tax

Companies were helped by a

profits jumped 26.1 per cent.

big decline in interest payments of 16.6 per cent and

privately-owned business

isations.

headquarters.

irect mail and telemar

business - British Tele-

keting is a growing

sign-making industry.

On the contrary, Bristo has for a long time enjoyed a diversified economy which has proved adaptable, resilient, and responsive to national

Industries have waxed and waned in the city, notably cigarette, chocolate and footwear manufacture. The Wills comoany began in the city in 1786. and when it became part of Imperial Tobacco early this century, had a workforce of 3,000 people. Today, Imps employs only 600 people at Bristol and Avonmouth, making cigars.

Other industries, such as railway locomotive and motorcycle manufacture, have come and gone. The defunct Bristol coalfield at one time produced 1m tons a year. Aerospace has long been an important industry, but one which has been contracting. However. the Filton and Patchway works of British Aerospace and Rolls-Royce still employ a total of more than 10,000 peo-

In keeping with the history of industrial diversity, other businesses have arrived and the city has benefited by never being over-dependent upon a single industry. The service sector, notably in financial and professional services, has diminution of manufacturing. In recent times, one expand-

ing industry has been that of media-related husinesses Bristol is the home of the BBC natural history unit, of the commercial radio company GWR, and of Asrdman Anima-Oscar for its film The Wrong Trousers. HTV, the television company, has its west of England studios in the city.

United Artists, the US group, has set up a base at Aztec West in north Bristol for its cable franchise. By late 1997 it will have invested more than £320m in a 4,000-mile fibre optical network, cabling Bristol and Bath and surrounding towns. Its workforce of 350 is

More American companies are

based in the Bristol area than

any other foreign-owned busi-

nesses, writes Roland Adburg-

ham. Án analysis of companies

with a Bristol postcode and a

turnover of more than £1m

shows there are 20 from the US

and five from Canada. There are 10 Swedish-owned compa-

nies and five Australian, but

only four French, three Irish

The analysis was carried out

for the FT by Jordan and Sons,

the Bristol-based company

information group. It shows

the relative lack of inward

investment from abroad in the area. Out of the 664 parent and

subsidiary companies with a

turnover of more than film,

only 61 are foreign-owned. Neighbouring south Wales, with the benefit of its govern-

ment grants, has been far more

successful in attracting over-

The paucity of quoted com-

panies headquartered in the Bristol area is also revealed by

the analysis. Of leading parent

companies, there are only 16 with a full stock exchange list-

and two German.

seas companies.

value-added services than strictly a good place to manulett-Packard says. More traditional industries include a Courage brewery

Diversity ensures that

and two small regional brewers, Butcombe and Smiles. The drinks company Riram Walker, renamed as a division of Allied Domeeq, has its world headquarters in Bristol. There is also a sizeable printing industry. Cakley Press this year completed substantial investment in a fullyintegrated pre-press and press operation. But one long-estabipany, J. W. Arrows-

mith, which began printing in

the 19th century, has become a much smaller business. Arrowsmith was recently the subject of the city's longest industrial dispute, which ended this autumn after 18 months of picketing. The dispute began over pay and the plant was picketed after the company dismissed 120 workers and de-recognised their GPMU union:

lished con

A related business in the region is packaging, with companies such as DRG and ASSL which has a 230m plant making corrugated packaging at

Hewlett-Packard, the US Other manufacturers include Rotork, the specialist engine in Bath, which increased its European manufacturing and overseas markets during the recession and exports to more than 60 countries. Engineering oratories there, employing 270 company Strachan & Henresearchers and scientists, are shaw, part of Weir Group, side the group's Californian designs and supplies handling systems for nuclear power stations. Christies Panel Products

makes fitted bedrooms. One long-established business is Bryan Brothers, founded in 1913, which has

reduction in total borrowings

of 5.5 per cent. Average gear-

ing fell steeply from 70 per cent

Profit margins improved by

1.1 percentage points to 5.6 per

cent and return on net assets

rose slightly by 1.2 percentage

points to 11.8 per cent. The wage bill was up by 3.5 per

cent, but numbers employed

showed a slight decline of 0.4

Bristol's economic signifi-

cance in south-west England is

shown by the fact that, out of

5.514 company formations in the south-west in the first eight months of this year, the

city's postcode area accounted

for 2,491, or nearly half. The

peak month for Bristol was

March with 405 formations, but this had fallen to 232 in

August - or 2.3 per cent of all

company formations in

England, Scotland and Wales

to 39 per cent.

per cent

economy is resilient privately-owned motor groups. Its contract hire business has

ck Sheep pub in the beart of the office villege

FINANCIAL

a fleet of 8,000 vehicles. tradition, is Architectural Castings, a management start-up in 1992. It is planning further expansion after an injection this summer of £200,000 of equity and loan finance by 3i, the investment

capital group,

To complete the picture of diversity, at least one industry has had a renaissance since the days of the 1818 encyclope dia: the manufacture of hot air balloons (which were piloted, the encyclopedia said, by

Mr Don Cameron, head of Cameron Balloons which he founded in Bristol in 1970, has seen the company become the world's largest maker of promotional and sports balloous both hot air and gas filled. The company makes about one a day and exports to more than countries. With a turnover of £4.5m, it employs 90 people "We have never had a redundancy," Mr Cameron says, "and it is our goal never to

Roland Adburgham

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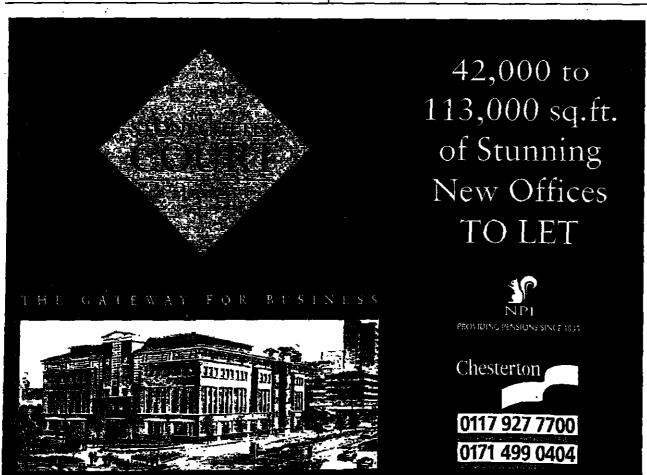
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BRISTOL V

Roland Adburgham looks at the tourism industry

A change of attitude

A bronze statue of a craggy John Cabot on a Bristol quayside shows him gazing westwards, towards the American mainland which he discovered almost 500 years ago. If he could look over his shoulder, he would see a wharf where his ship the Matthew, in which he set sail from the

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city's harbour, is being reconstructed. The new Matthew, being built with oak and traditional materials at a cost of £1m. is at the heart of an overdue desire by Bristol to stimulate tourism. The ship, a square-rigged caravel of 21 metres, will be launched next September and in May 1996 will be the city's centrepiece of an international festival of the sea. Then she will sail to Newfoundland to take part in the province's 500th anniversary celebrations.

The festival, organised by partners including the city council and Bristol Chamber of Commerce and Initiative, is intended to be the biggest held in the UK. It is hoped to attract 800 ships from around the world and as many as 1m visitors. For four days, the quays will be alive with exhibitions, concerts, other events and visits to the moored boats.

With its cost already underwritten by a property company, the festival is the most striking example yet of a change of attitude in Bristol towards tourism. Overshadowed by Bath's status as a world heritage city, Bristol has until recently appeared to

disregard the industry.
This was despite evidence of tourism's importance. The West Country Tourist Board estimates the city has 750,000 staying UK visitors each year, contributing £55m to the local economy. In addition, it has a big number of day visitors and is a popular place for visiting friends and rela-

For visitors from overseas, Bristol is the tenth most popular UK destination - with Americans and the French leading the way. In 1992, there were 209,000 staying visitors from abroad. In total, tourism is estimated to contribute at least £100m a year to the local economy, creating directly or indirectly 10,000 or more jobs.

A consequence of Bristol's lack of interest in tourism was that the city, despite being internationally known because of its trading history, failed to invest in the industry compared with rival UK cities. It has no sports stadium, concert hall or conference centre of national significance.

The Matthew project and festival of the sea is evidence of a change of mind. Mr Neil Croucher, chairman of Bristol Tourism Forum, says: "A few years ago the private sector was tearing its hair out and asking what the city council was doing to promote tourism. The answer is that they were doing nothing. It was not recognised as an industry, nor as an area of poten-

In the past three years, he says, there has "been a total turnround and the city council is nothing short of excellent in putting money, time and commitment to tourism."

The forum itself, with representatives from the council, chamber of commerce and tourist industry, has been reactivated. A new strategy has been adopted to tackle the weaknesses - visitors, for example, consider Bristol inhospitable - and build upon the city's strengths of location and maritime heritage. In particular, it is seen to have more potential as a year-round destination for short-break holidays and



Bristol has impressive landmarks

'Now everyone is working towards one goal," Mr Croucher states. "We have the big plus of water right at the heart of the centre. We would like to see Bristol as a major European city, closely linked to waterside development. By the year 2000, we should be in the position to promote Bristol as one of the most beautiful cities in western Europe."

Mr Croucher is development director of the Exploratory "hands-on" science centre which, with nearly 200,000 visitors a year, is the most popular city attraction after Bristol Zoo. The Exploratory, outgrowing its space at Brunel's Temple Meads station, may move to Harbourside, a waterfront scheme which is hoped to include an electronic wildlife "zoo" and centre for the performing arts. A separate project is for a museum of commonwealth and empire at

Bristol aiready has the advantage of impressive landmarks, including Brunel's Clifton suspension bridge over Avon Gorge, the cathedral and St Mary Redcliffe church. Less well-known is that, despite wartime bombing damage and consequent ugly office blocks, there are 3,600 listed buildings. The Old Vic's Theatre Royal is the oldest working theatre in Britain, and John Wesley's chapel, built in 1739, was the world's first Methodist chapel. Outside the 18th century Exchange are the mer-chants' flat-topped "nails", the origin of the phrase "paying on the nail."

A more recent survivor is Brunel's ship, the SS Great Britain, launched in Bristol in 1843 and salvaged from the Falklands in 1970. Nearby, the Victorian buildings of Underfall Yard are being restored. Alongside the floating harbour, which retains permanent high-water in the city's docks, there is an industrial museum and Arnolfini art gallery. Events such as the annual balloon festival and regatta attract thousands of people.

Visitors might well be deterred by the cost of car parking, at £1 an hour, and the variety of shopping can not compete with Bath. But one deficiency perceived by tourists - the restaurants - is less well-founded. The 1994 Good Food Guide lists 10, three more than Bath and five more than Birmingham. Outside the city, there are distinguished country house hotels such as Ston Easton, a Grade I listed Palladian mansion.

The city is also close to some of Britain's finest countryside, including the Wye val-ley, Cotswolds and Mendips. In addition to Bath, it is within reach of Cheltenham, Wells and Glastonbury and the seaside towns of Weston-super-Mare, Burnham-on-Sea and Clevedon.

With these advantages, Bristol should have captured more business tourism. Despite having 2,000 four-star hotel beds, it is not among the top 50 UK cities for the conference trade. This autumn, an initia-tive was launched to correct this. Twenty-seven hotels and venues have formed a marketing consortium called Conference Bristol to promote it as a destination and provide a central point for bookings. The aim is to bring the city into the top 10 conference destinations within three years. All the big hotels have also joined Bristol Hotels Association in what Mr Michael McGahey, chairman of the West Country Tourist Board, has described as "a new spirit of co-operation."

One area where there should be more co-operation is with Bath. The two cities, only 12 miles apart, could promote a comolementary appeal for tourism. But there has been mutual suspicion and little common interest, exacerbated by poor transport connections. Bath, in its cultural identity, has traditionally looked eastwards towards London, Bristol, like John Cabot, has looked westward.

Transport links serve the city well

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More air services needed

A strength of Bristol is its geographical location near the motorway crossroads of the M4 and M5. One can drive directly by motorway to London, south Wales, the Midlands and north, or to the far

south-west, writes Roland Adburgham. Bristol also has two mainline railway stations, Parkway and Temple Meads, with a journey time to London of an hour and 20 minutes.

It has a flourishing port, which is close to the Severn bridge and to the second crossing which is being built. The one obvious weakness is its lack of an interna-

tional regional airport. While Bristol airport, south of the city at Lulsgate, has established itself as the south-west's leading airport, there is an irony. The transport links, which other-wise serve Bristol so well, serve Lulsgate badly. It has no railway. The road into the

city is a single carriageway.

The airport is only a few miles from the M5 motorway, but the roads to it are

It is this issue of location which hovers over a public inquiry being held by the Department of the Environment. British Aerospace wants to develop the airfield next to its Filton works in north Bristol into a commercial airport, with freight and scheduled services.

It has all the transport links which Lulsgate lacks.

Although, under the terms of BAe's application, Filton would not be a fullyfledged regional airport, business groups such as the regional Confederation of British Industry regard it as an essential step forward in the region's economic

The inquiry was called after Northavon council, the planning authority, failed to rule on BAe's application within the statutory period. In recent years, thousands of houses have been built near Filton, and the council has been put under pressure by residents worried about noise.

Northavon is now opposing BAe's plan, even though the company argues that it must make better use of its airfield to safeguard the Filton works, where more than 5,000 people are employed.

Bristol city council is also opposed to a Filton airport because it owns Lulsgate, which plans a new £14m terminal capable of handling 2m passengers a year but needs private investment.

It is the success of Lulsgate, despite its handicaps, which proves the demand. It had 1.2m passengers in the year to March 31 and made record pre-tax profits of £3.6m. While most of its passengers are for charter flights, scheduled traffic is growing. In its winter timetable, Lulsgate has 170 scheduled departures a week, including flights to Amsterdam, Brussels, Parls and Jersey. Although long-haul flights are restricted by its runway, a daily Aer Lingus service has started to

New York, Brymon, the British Airways subsidiary, uses the airport as its hub. BAe proposes not more than 350,000

passengers a year at Filton and contends that the two airports could co-exist, with Lulsgate handling charter traffic. Bristol council says that Filton, if restricted to BAe's announced limit, would do little to meet projected demand of about 4m passengers by 2010. This demand would



Clifton suspension bridge Plateau Lyda van der Meer

therefore have to be met at Luisgate, but the council warns that the necessary investment might be frustrated by a sec-

What does seem certain is that any investment will remain on hold until the outcome of the inquiry, due to end in

ond airport.

While this is the most contentious transport issue in the region, it is by no means the only one. The construction of the Batheaston bypass, north of Bath, drew national attention this year as objectors camped out in tents and trees to try to stop the contractors.

While the protestors ultimately failed, they highlighted the dilemma of striking a balance in satisfying two opposing pressure groups which are particularly vocal

in the west of England. On one hand, there are the environmentalists and, on the other, business groups

calling for road improvements. Where there would be agreement is on the need to upgrade rail services, espe-cially by the electrification of the London line. There are no through passenger services to the Channel tunnel, although there is a firm proposal for a freight terminal at Avonmouth which would link

with the tunnel. There is also general agreement that Bristol, where the road network is overcrowded, needs a rapid transit system, despite the collapse of a previous scheme for a metro tram system. Avon county council is the lead promoter for what it calls the Westway network. It is preparing an application for a government grant to finance most of the estimated £202m cost for the first stage. Private sector

funding would also be required.

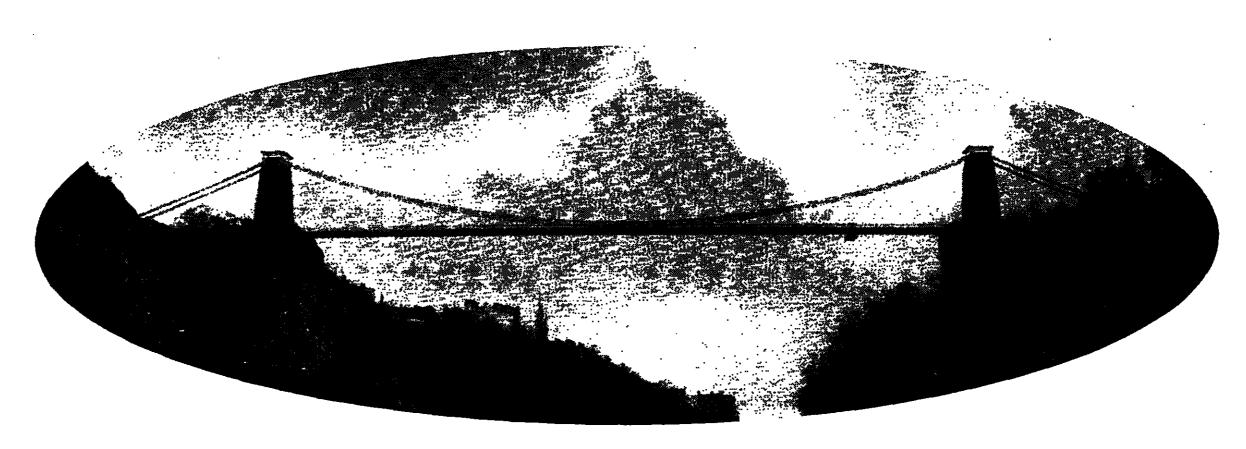
The first line would run from north of the city to the south. Dr Roger Newport, the project manager, hopes operations will begin by 2002 and the network could eventually include other routes. While the type of vehicle has yet to be decided, the council envisages vehicles using electrical overhead lines. It believes two thirds of the passengers would otherwise be using

posed by Bristol Development Corpora-tion to connect its Quay Point scheme by light tram to the city centre. The BDC, which has complained of "a lack of urgency" in transport policy, opened a spine road this summer which keeps some traffic out of the city centre by connecting the M32 motorway and A4 Bath road. In contrast, the county council says a pro-posed extension of the Avon ring road, badly needed to help to regenerate south Bristol, is only in its "longer-term ambitions."

The local authorities have been critic ised for seeking to discourage vehicles in Bristol while doing little to provide an alternative other than cycle-ways in what is a particularly hilly city. A more balanced policy has begun to emerge, with bus and taxi priority lanes and the start of park-and-ride schemes.

Mr Trevor Smallwood, chairman of Badgerline, which operates the City Line buses in Bristol, says the first park-andride scheme, which opened this year, is being used by 1,000 people a day, "in advance of expectations.

One imaginative project being promoted by Mr Smallwood's company is an Avon Gorge expressway, which would use an old single-track railway as a guided busway between Portishead and the city centre. Linking with two park-and-ride schemes, it could run as many as 60 buses an hour in the peak-hour direction of



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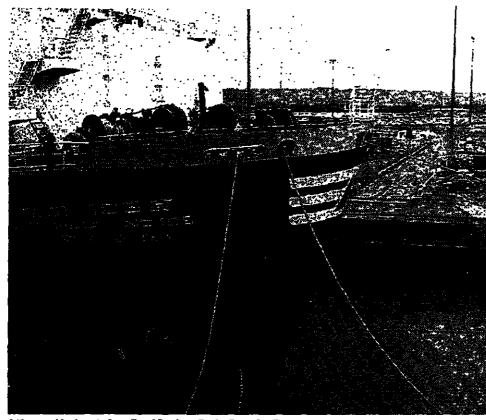
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BRISTOL VI



otorists surging down

the M5 motorway

towards Somerset can

hardly fail to notice, as they

drive past the Avonmouth

pened to Bristol in 50 years,

says Mr St John Hartnell,

chairman of property consul-

tant Hartnell Taylor Cook,

which manages the docks'

declare an interest, others

have been equally impressed.

The port, together with the sec-

ond Severn bridge which is

under construction, has

While Mr Hartnell would

estate of 2,500 acres.

Roland Adburgham on Bristol port and Severnside

industrial complex beside the Bristol Channel, that somement plans around Avonthing big is happening. mouth. The biggest scheme, While the steel structures being promoted by ICL covers and vapour clouds of largescale chemical processes are no fewer than 1,500 acres, an still evident, there are also area stretching for more than

gleaming white buildings, the size of aircraft hangars, next to Even before the new bridge opens in 1996, the docks have acres upon acres of parked new the benefit of direct access to The transformation is caused the M5 motorway, near to its by the expansion of Bristol function with the M4 and of a recently-upgraded link to a port since it was privatised three years ago. Its success "is main-line railway. "It is a very the best thing that has hapwell-placed strategic port,"

says Mr Hartnell. The port, which straddles the river Avon, took over from the old city-centre docks, where commercial trade died because of the difficulties of navigating the river and restrictions on the size of vessel.

On the north side of the river is Avonmouth dock, which is used by container and general cargo ships, and where Bell Lines opened a £3.5m container

terminal in December last On the south side is Royal Portbury, completed as a deep-water dock in 1978 and capable of handling ships up to 130,000

Bristol city council, the then owner, was burdened with debt by its construction and could not win enough trade to be profitable.

In consequence, the council sold the port in 1991 for £36m, free of debt, on a 150-year lease to First Corporate Shipping, a private company run by Mr Terence Mordaunt and Mr David Ord. They are chairman and managing director of the operating subsidiary, Bristol Port Company. The council retains a 12.5 per cent preferential stake and has a seat on the board. Since the takeover, £150m has been invested by the port and joint venture partners

new facilities. "Everything that happens here, happens at break-neck speed," says Mrs Julie Gough, of Bristol Port Company, which has a permanent workforce of 172 including apprentices. Since 1991, tonnage has tonnes and profits have risen each year. Revenue in the last financial year grew from

£21_6m to £32.7m. sion has been at Royal Portbury which has become, after Sheerness the second-biggest UK port for car imports and exports. These have doubled in three years to about 300,000

Honda, Mitsubishi, Proton, Rover, Toyota and the Fiat company Walon have parking space which totals 282 acres. Computerised systems enable a car's arrival to be processed in less than 40 seconds.

terminal was made by a joint venture with National Power. Although in its first year the terminal only handled about im tonnes of coal, compared with a capacity of 5m, it is a common-use facility which also carries fertilisers, aggregates

and grain derivatives.

his year. Agriculturai Bulk Services, a joint venture between the port and United Molasses. invested £6.5m in doubling storage for animal feeds, only a year after the facility opened at Royal Portbury. New sheds have been built for a forest products terminal. Lafarge Plasterboard imports gypsum for a factory which it opened at the port in 1989.

On the dock estate, infrastructure is nearly completed for Portbury West, a joint venture with Bryant Properties for a 30-acre distribution park, intended eventually to have more than 1m sq ft of industrial space. Further south. Woodspring council has given approval for a 52-acre business park near Weston-super-Mare and outline consent for a 1.6m so ft business park at Weston

North of the river Avon, called Severn Gate is being developed on a 60-acre greenfield site by AMEC Developments and RTZ Estates.

RTZ is promoting a scheme to build nearby an intermodal rail-freight terminal which would link to the Channel tun-

At Severnside, north of Avonmouth, ICI intends to develop 1,500 acres around its fertiliser works and Avlon plant, owned by Zeneca since

the demerger. At present, tenant farmers use the land for grazing, but the land has been held as a strategic reserve and ICI has had outline planning consent since 1957 for indus trial and commercial use.

ICI has realised it will never require the land itself although the fertiliser plant, where 230 people work, remains open and Zeneca is keeping some acreage for planned expansion. Instead, it has decided the time

has come to unlock its value. That value, it believes, is enhanced not only by the port but also the M49 approach road to the second Severn bridge, which crosses the land. ICI is applying for an intersection to

give direct access. One hitch is that agreement has yet to be reached with the highway authorities for the siting of the slip roads, which will be partly funded by the private sector. In consequence, the junction is unlikely to be ready when the new bridge

ICI, with King Sturge as property adviser and planning consultant, has begun to market the land under the name Western Approaches and is holding meetings with local people on mitigating the environmental impact.

Planning consent is being sought for a first phase - a distribution park of 2.3m sq ft of warehousing on 130 acres of a landscaped 200-acre site. Future development could be a mixture of distribution space, industry including high-tech sibly a leisure complex and

some housing. The company estimates that over a 15-year period, between 5,000 and 7,000 jobs could be created.

"The capacity for economic development is enormous," says Mr Andrew Sturt, ICT's group property manager.

"It will be a major contribu tion to the industrial and employment base of the

BRISTOL DEVELOPMENT CORPORATION

Striking evidence of regeneration efforts

this autumn to a 14-screen, Avon Meads in Bristol will be maware that only a year ago the site was derelict.

The American-style developnent of a 26-acre site at Avon Meads and Castle Court is, as yet, the most striking evidence of the regeneration efforts of Bristol Development Corporation on 900 acres near the city centre. Alongside the Showcase Cinema, opened in August by National Amusenents of the US, there is tenpin bowling, fast-food restaurauts and a parade of stores.

This month, an 85,000 sq ft Cargo Club was opened by Nurdin & Peacock, its third UK membership warehouse, in which goods are sold off pallets and racks at low prices. More than 12,000 people had paid the annual membership fee of £25 by opening day.

Avon Meads and Castle Court, which have been developed for the BDC by Wilson Connolly, have free parking and, because of a new spine road, can be reached without driving through the congested city centre. The road itself, named St Philips Causeway, was opened in July and links the M32 motorway with the A4

Bath road. While the leisure and retail complex has won popular approval, the BDC itself has been, in some quarters, highly unpopular. One of 12 such corporations in England, it was created by the government in 1989 with planning powers to regenerate land suffering from dereliction and poor access. The Labour-controlled city council failed in a court action to stop it.

The BDC's aggressively market-led strategy did nothing to improve relations with the council. Critics of the government's concept of the corporations argue they have a high cost per job created - and poorly targeted benefits.

Relations between the BDC and the city council, although still uneasy, have improved over the past year and the council's Labour leader, Mr Graham Robertson, has joined the board. Recently, however, tensions have resurfaced with the BDC's plans for its flag-

Mr Miles Collinge, the BDC's pugnacious chief executive, makes no apologies for the corporation being a commercial organisation driven by market forces. He does not disguise his frequent impatience with the city authorities. "Bristol of all cities has a capacity to emit negative mes-

sages," is a typical comment. The BDC concentrated on infrastructure first - notably on St Philips Canseway, which contract was completed by Balfour Beatty ahead of schedule and on budget. Mr Collinge describes the road as of mega-significance" and says the area it serves "didn't have a future without it."

One scheme, intended to complement the spine road, is for a weir to improve the appearance of the river Avon, which becomes a muddy ditch at low tide. But although a parliamentary bill to build it was unopposed, funding has yet to be found.

Development which has proceeded includes, in partnership with Nationwide Building Society and five national housebuilders, an urban vil-

The BDC says 2,250 jobs have been created, with many more forecast

lage called Avon Riverside. So far, about 300 houses, out of a nianned total of nearly 1,000, have been completed. The main office relocation has been by NatWest Life, which has taken a headquarters building on the waterfront.

The BDC says 2,250 jobs have been created, with another 1,000 expected from schemes in progress. It forecasts there will be, eventually, 18,800 direct and indirect jobs and predicts that private investment of £820m will be

In May, the BDC, due to be wound up in December next year, published an exit strategy together with a review by KPMG Management Consulting. KPMG said the recession. had caused developments to come onstream later than originally forecast, but "despite this background the BDC has development and laid the foundations for strengthening interest as the economy and the property market recovers." The review said the BDC had

identified opportunities which had not been seen by the council. The potential had been formed by improve to the infrastructure and environment. Twelve sites already had some development and a further 13 were being marthat this turnsround ... could have been achieved with the BDC's activities," KPMG said.

The most grandiose project is for Quay Point, which the RDC believes will be a gateway to the city of international status. It is a triangular site of 23 acres next to Temple Meads railway station, the city's ring road and on the waterfront. The BDC, with Wilson Connolly as preferred developer, hopes to have a 2m

Many of the people flocking cost \$47m. The design-build sq ft commercial centre, attracting £400m of investUNITED THE SERVICE

In addition to offices, the BDC wants a quality hotel, leisure attractions and, most controversially, 350,000 sq ft of shopping including a department store and mall. The scheme is attacked by those concerned about the impact on the city's Broadmead shopping centre, and on a proposed Harbourside development on the

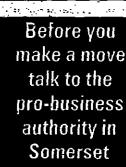
The council's view is that a strategy for central Bristol should be by devised by agreement, not competition. Mr Collinge's view is that the real threat to the city centre comes not from Quay Point, but from out-of-town development.

Despite Quay Point having been marketed for some time, no deal has yet been struck for a department store. Mr Collinge, while saying that remains the preferred option, indicates the scheme could be adapted to have less retail space, more confined to support shopping for office workers. But he comments: "We do not believe in mono-cultural development, whether retail, leisure or office. A development blossoms more in a city if it has a mix of uses.

This corporation wants to do nothing but strengthen the heartbeat of Bristol. Why allow this site to continue to monlder? It is the most accessible site and why not recognise that, and say it is the central business district?"

Mr Collinge comments: "My great sadness is that the vision of the BDC has not been shared. There has been sonabbling argument with third-division politics trying to kill the BDC. Cities like Birming-ham and Manchester have had a strategic vision in harmony with the private sector.

He adds: "Potentially we're a very competitive city and, if we got our act together, we could knock spots off other



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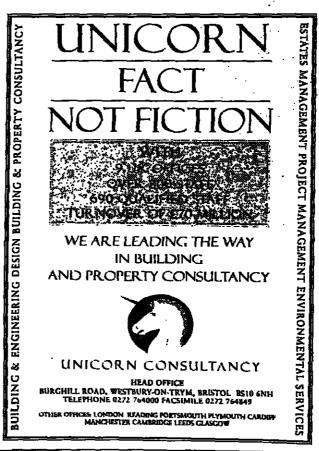
May::Somersef-September: Wales

November: Devon and Cornwall

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One of the U.K.'s largest bus and coach operators

Badgerline Group plc., Badger Manor, Edingworth, Weston-super-Mare BS24 OJA

Serve and South Bristol Col-

lege. Over the next few

months, the workshops will

demonstrate to 1,000 people,

identified as "community influencers", how to use the

Internet, e-mail, CD-Rom and

In job-creation terms, the

SBLN will have limited impact

on Hartcliffe, at least in the short-term. But it is indicative

of a realisation that there is no

single or simple solution to

A separate partnership scheme to raise the Hartcliffe

skills base and improve the

Centre. This £1.5m building, to

open next year, is being funded by the government

with a £500,000 urban partner

ship grant, the city council

and the private sector, which

has so far donated £350,000. Initiated by Hartcliffe & With-

include a training centre with

a nursery, light industrial

units, meeting room, cafe and

Another local community

project, to help young people

is Hartcliffe Leisure. This is a

company set up in partnership with the Bristol Chamber of

Commerce and initiative to

organise a range of after-

school activities. One of the

grants which helped to estab-lish it came from the Greater

Bristol Foundation. A charita

ble trust set up in 1987, the

foundation provides a profes-

sional service for donors who

want to support local causes but who need advice on identi-

fying potential beneficiaries.

The foundation now has an

endowment fund of more than

£2m, contributed by a wide

range of companies, organisa-

tions, charitable trusts and

individuals. It has distributed

more than £700,000 to more

than 300 schemes and groups.

The priorities are projects for young and disabled people, the

homeless and those disadvan-

Penny Johnstone, the direc-

tor, says that the outside view

of Bristol as a prosperous city

taged by isolation.

video-conferencing.

the area's problems.

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TOTAL MANAGEMENT

BRISTOL VII

Businesses are moving out of town, reports Roland Adburgham

City centre versus outskirts

department stores group, announced this year it would close its Bristol store in 1997 and move to Cribbs Causeway. an out-of-town regional shopping centre, it sent shock

A STATE OF THE STA waves through the city. It reinforced fears that Bristol was in danger of succumbing to the "doughnut" effect, with retailers and companies moving to the city fringes and leaving a hollow centre.

To the north of Bristol, in particular, there has been substantial development.

This includes a £254m procurement headquarters being built for the Ministry of Defence. At more than Im sq ft and designed for 5,700 staff. this is said to be the UK's largest current office development.

Another big project nearby, on the Parkway business park, is a 600,000 sq ft headquarters for Sun Life which will house 2,400 staff. The staff will relocate from separate buildings in the city centre, reinforcing the

Cribbs Causeway itself is north of Bristol, next to the M5 motorway. A development by Prudential Assurance and JT Bayliss, it is planned to have 650,000 sq ft of retail space, with John Lewis and Marks and Spencer taking a total of

After two public inquiries, the shopping centre was approved by the environment secretary in 1991, before his department's tardy awareness of the effect on town centres of out-of-town stores.

John Lewis's existing store is a mainstay of the city's principal shopping centre, Broadmead. It is a post-war centre. showing its age, with a dreary environment and poor access. As a result, it is calculated

that Bristol attracts lower

retail spending than should be expected of a regional capital. What John Lewis's decision has achieved is a concentration of minds. This has been further encouraged by the retail aspect of Bristol Development Corporation's proposed Quay Point, which is also perceived as a threat to Broadmead. For its part, the BDC argues that Quay Point, by improving the city's range of shopping, will

There is now a positive intention to improve Broad-mead by the council, which is the landlord, the retailers, and Bristol Chamber of Commerce

help to arrest Broadmead's



think with co-operation between the chamber and city it can be solved."

A new retail occupier is being sought for the five-storey John Lewis building.

One improvement already has been the Norwich Union development of the Galleries' enclosed shopping centre near Broadmead. Although it opened during the recession, it has let reasonably well,

For companies, the attractions of being north of Bristol

have been the liberal planning

policies of Northavon district

council plus access to the M5

For example, the long-estab-

lished Aztec West business

park, managed by Arlington,

has more than 80 companies.

Pearce Dévelopments has

started infrastructure work for

a second Parkway business

contracts were exchanged this

month between Bristol &

England Properties and Bar-

clays Bank Pension Fund for

the funding of its second

park on 40 acres.

city centre

described as one of the largest speculative fundings in the Bristol area for five years.

Longer-term, there is the opment on 400 acres at Emer sons Green.

In contrast, companies have complained of transport and parking difficulties in the city centre and, at least until recently, of an unhelnful attitude by Bristol council. Hartnell Taylor Cook, the

the council as having hitherto

taken a regressive attitude

towards office development.

Car parking was restricted to a

ratio of one space per 5,000 sq

ft. "This policy has proved commercially unacceptable," it

Under its draft local plan,

the council has revised that to

now a positive spirit of

lic authorities and private sec-

tor. "Coupled with this are

some outstanding development

opportunities and signs that

At Bristol Business Park, a Sturge, comments that there is

year, bringing hundreds of new jobs with them," says Mr Mike Henry, of Chesterton, the prop-King Sturge reports rents remain below £20 per sq ft but incentives to tenants are disappearing. In fact, there is a

severe shortage of large, good quality offices in the centre. One plan is for Stonecutter Court, where Chesterton seeks an occupier for a proposed 113,000 sq ft building.

The doughnut effect may

prove to have been exagger-

ated. Demand for snace in the

centre has not dried up, as indicated this year by Midland Life taking 30,000 sq ft of

offices and Direct Line, the

insurance company, occupying

vacuum which was feared, big

employers have moved in this

"Instead of the city centre

Eaglebrook Properties has consent for Marlborough Gate, with 47,000 sq ft. Helical Bar has a speculative scheme at Venturers House, funded by Norwich Union. And Courage has applied for planning consent for 93,000 sq ft of offices on a disused part of its brew-

One deal just completed is the sale of the 26,000 sq ft Armourers' House for nearly £3.2m to clients of Henderson Property Fund.
While Quay Point is a heavy-

weight project, it is rivalled in its ambitions by plans - promoted by the council – for Harbourside, a mixed-use scheme on the waterfront. The site is one space per 2,000 sq ft.
Mr Edward Cussen of King potentially one of the finest of any British city but has remained largely derelict for many years. At long last, among the landowners and English Partnerships, the govregeneration ernment's agency, has indicated support.

t first sight, the electronic world of the information "superhighways" is far removed from the unemployed of Hartcliffe, a deprived part of south Bristol which gained national notoriety in 1992 because of rioting,

writes Roland Adburgham. Hartcliffe is not a typical inner-city suburb. When its post-war housing estates were built by the local authority, the planners might have believed they were creating a desirable environment. Set within sight of fields and hills, Hartcliffe has wide streets, green spaces, houses with gardens and only a handful of high-rise blocks.

In common with many other imposed ideas, it was badly flawed. Hartcliffe lacked shops and community facilities. It was isolated by several miles from the city centre with no rail service and poor road con-nections. Crucially, there was no social mix of housing.

dency upon a single employer, a Wills tobacco factory. When that closed four years ago. about 4,000 people lost their jobs. No alternative use for the factory has yet been found by Hanson, the owner. Despite the establishment of a busiattempts for large-scale job creation are handicapped by the inadequate transport links. Unemployment is above

of economic activity are low. It is against this background that an innovative project has been launched as a stimulus to tol Learning Network (SBLN) intends to develop a cable based telecommunications infrastructure not for commer-

The concept is that cable, by linking houses, businesses. schools and other organisations, helps to circumvent transport problems and provides access to local, national and international information

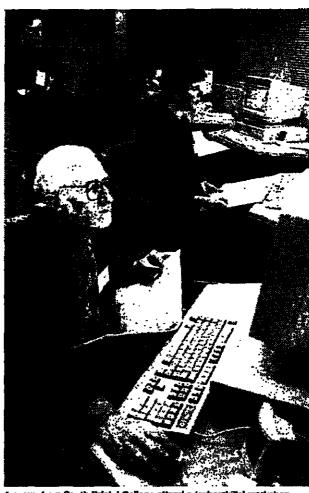
The network has potential for use as a billboard, for interactive TV programmes, public access broadcasting and eleworking. The hope is that it will improve the skills of the labour force, encourage lifelong learning and help to rebuild a sense of community. Funding of £750,000 has

come from Avon training and secured the money last year under the government's Tec Challenge competition. The partnership project, developed jointly with South Bristol College, is using a cable network laid by United Artists.

network as a prototype which

COMMUNITY ENTERPRISE

Information 'highway' to stimulate regeneration



A group from South Bristol College attend a 'cybe

has already been shown in the US. He emphasises how the SBLN contrasts with the usual "top down" development of information superhighways, with little involvement at community level, "The potential for cultural change is mense," he says. "While the first responses of local people are usually negative, subsequently they become more pos-itive as they see how they can

shape the technology for their own ends." Staff for the SBLN have been recruited locally from among the unemployed, who mostly lacked skills in new technology. More than 50 employees have been trained, more than half of whom had been previously out of work for at least six months. They come from a

ages, ranging from 19 to 60.

enthusiasm, drawing on previously untapped energy and

This month, the SBLN started "cyberskills" workshops at ICL's offices in Bristol to create a city-wide awaremultimedia. Mr Malcolm Napier, ICL's business develop-

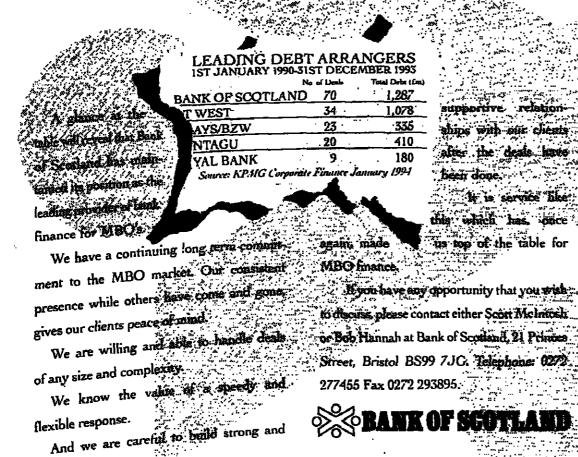
'Community influencers' will see how to use Internet, e-mail, CD-Rom and video-conferencing

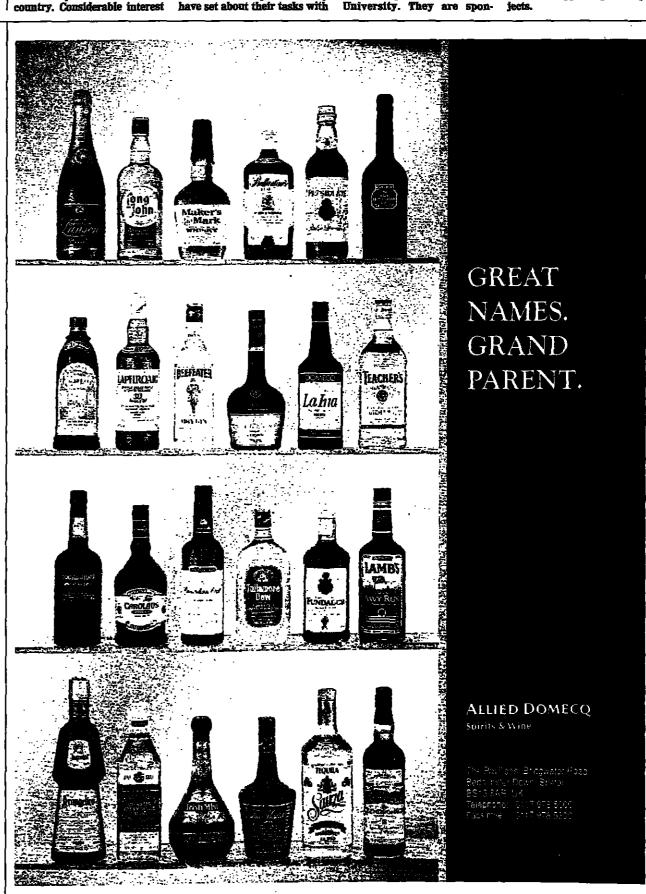
ment manager responsible for the company's lifelong learning strategy, describes the workshops as "giving firsthand experience of what the superhighway means."

does not tally with the evidence of areas of deprivation. But within the city, she says,

make a mor 24, 111 authority

Consistently delivering







COMPANY PROFILE: BADGERLINE

Set for expansion

The headquarters of what has become Britain's second-largest bus operator might be assumed to be utilitarian offices next to a noisy depot. Instead, it is to be found in a renovated farmhouse six miles from Weston-super-Mare, sur-rounded by fields and approached across a cattle

Badgerline employs 10,700 people and runs 3,900 vehicles. But at the headquarters - renamed Badger Manor after the company moved there in 1989

 there is only a dozen staff. From this modest base, Mr Trevor Smallwood, the executive chairman, and his fellow directors saw the company floated on the stock exchange in November last year, raising

The company was established in 1986 when it was bought out by its management and employees - Mr Smailwood was the managing director – from National Bus Company as part of the government's privatisation Badgerline then had an annual turnover of £15m and

For the half-year to June 30, it reported a turnover of £93.3m and pre-tax profits of £5.4m, up from £2.6m in the same period last year.

The flotation, with the Bristol offices of KPMG Peat Marwick and Burges Salmon, the law firm, as advisers, was intended to provide funds for expansion and acquisitions.

As a result, PMT Group. based in Staffordshire and Cheshire, was bought for £23m and the Yorkshire-based Rider Group for £38m. The two companies, which

have a total fleet of nearly 1,600 vehicles, have already boosted profits. Mr Chris Carr, marketing director, pronounces the company as "very satisfied" with

its decision to float. In Bristol, Badgerline is known for its City Line subsid-

fleet of 353 vehicles, and a turnover of some £23m. Mr Smallwood says that, since deregulation, the number of buses in the area has risen from 207 to 319 and operating miles have increased greatly. More than half the fleet has been replaced in the past four

Overall, Badgerline has bought 370 new vehicles this

orders for 900 vehicles at a cost of almost £60m, believed to be the largest order yet placed by a non-publicly-owned bus com-

Mr Smallwood, whose career began with Yorkshire Traction in 1966, comments: "There is public recognition that we cannot continue in urban areas to use the car ad infinitum - the only way is to

develop and improve public

GWR GROUP

Taking stakes in other companies

Few radio listeners in the west of England will not have beard the slogans "Better music mix" and "No rap, less chat," writes Roland Adburgham. Remorselessly, they are repeated on GWR-FM, the commercial radio station. Mr Chris Scott, station director in Bristol, describes them as "positioning statements."

In terms of position, GWR Group, based in Bristol and Swindon, has established itself as the UK's biggest commercial radio company after Capi-tal Radio. Earlier this year, it took over a clutch of Midlands and East Anglian stations and now holds the permitted maxi-

mum of 20 radio licences. While lobbying the governnent to raise the limit, it has been taking stakes in other radio companies. It holds 17 per cent of Classic FM, the national commercial station. and has shareholdings in various companies from Plymouth

In July, GWR, which is quoted on the unlisted securities market, won Price Waterhouse's award for the West of England business of the year. In the six months to March 31, it had a turnover of £7.8m, an increase of 90 per cent on the same period last year. Pre-tax profits nearly trebled to £930,000.

In the west, GWR-FM. together with its sister AM station Brunel Classic Gold, lifted the combined market share to 30 per cent this summer, based on Radio Joint Audience Research, compared with 20 per cent in the same period last year.

Mr Simon Cooper, area director for GWR South, stresses the group's policy of "listener-responsive radio" for increasing audiences. Output is heavily influenced by telephone interviews, in which listeners are asked to rate songs on a scale ranging from it" to "I really like the song." The format of news bulletins

is also influenced by listener research. There is strong interest shown in local and UK news, but very little in reports Roland Adburgham | about the royal family, Mr





Simon Cooper, area director. explains that this is because royal stories are mainly visual

The group's ambitions now include expansion in eastern Europe. In Poland, it has taken a stake in Inforacio in Warsaw, in partnership with BBC World Service. It has also a 48 per cent holding in Radio FM Plus in Sofia, Bulgaria.

Back in Bristol, at GWR's studios at the Watershed media centre, a "positioning statement" jingle has been recorded for the Sofia station. In Bulgarian, it means "Only

PARRAGON BOOK SERVICES

Aiming for impulse purchases

Avonmouth is not Bloomsbury. and Parragon Book Services, with its premises next to an M5 motorway junction, may not be as familiar a name as Thames & Hudson or Macmillan. But last year, it sold 12m books and this year expects to reach sales

PBS was set up only six years ago by Mr Guy Part and Mr Paul Anderson, both of whom had worked for W.H.

Their philosophy is simple: to sell books at such low prices that they will be bought as quantities at supermarkets, motorway service stations, newsagents and bargain

The company now employs more than 80 people. Pre-tax

profits dipped in 1993 to £404,000 but Mr Anderson says: "We have tightened up the running of the business.

He expects profits of more than Elm this year on turnover of about £20m. The company, which contracts out its printing,

are very much a sales-driven

supplies books to Asda, Co-operative Retail Society, Presto, Saleway and Tesco supermarkets. By doing large print runs, we can get the cost-price down," says Mr Anderson, "We

> company."
>
> One element of this is computerised stock control - "We had our own software written for us from day one. This year, it set up a publishing division to produce

its own titles, with 3i, the venture capital group, investing film to take a 10 per cent equity stake. Mr Anderson says the

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intention of seeking a stockmarket flotation, "but we keep open our options for the Its publishing division will

company has no immediate

specialise in cookery, gardening, art and children's hooks.

The most recent titles are a series called "Quote Unquote", featuring Marilyn Monroe, Elvis Presley, the Beatles and Laurel and Hardy. And it has published a series called "life and works of famous artists, selling at just £1.99 a copy.

Roland Adburgham

COLLEAGUES DIRECT MARKETING

'Still pushing strongly

One industry which has expanded in Bristol and the west of England is direct mail, as exemplified by Colleagues Direct Marketing, the award-winning private company based in Bath, writes Roland Adburgham.

Mr James Robson, chairman of Colleagues, which he and his wife started in the city in 1987, has grown rapidly to have a likely turnover this year of £40m, a leap of £12m on the

nrevious year. It is, he says, "still pushing very strongly" and he expects sales to reach £57m

Pre-tax profits of £2m in 1993 are targeted to reach just over £3m this year. "We have made a profit from day one," says Mr Robson, "and it has risen by leaps and bounds."

There are plans, subject to market conditions, to float the company on the stock Mr Robson and his

interest in the company, but

co-directors have a controlling

all 80 employees are shareholders. "The sense of participation in the company is ery important." Charterhouse, the venture capital group, has a 20 per cent

Colleagues specialises in

The unusual name of Colleagues was chosen to reflect the fact that 'a company is a company – not one or two egos' says Mr Robson

high-volume direct mail for clients such as Barclaycard. British Telecom, Reader's Digest, Sun Life, Vernons Pools and leading charities.

The company offers a service of "recruitment activity" finding potential customers - and designs and organises mail-shots and analyses the

Mr Robson attributes Colleagues' expansion, despite

of two factors. Combanies have become less indiscriminate in their

advertising and are increasing their use of direct mail to have a more targeted approach, giving better value for money. Secondly, there are new

clients which have never previously used direct mail. The unusual name of Colleagues was chosen to reflect that "a company is a company - not one or two egos and we want to work with our clients almost as if we vere on their payrolls. "Our clients see us as

genuine partners - more as. colleagues than as an agency Mr Robson says that both he and his wife have always felt as if the west country were

their natural home. "Bath has been an excellen choice for us. It has worked very well. The only problem is the great difficulty in finding office accommodation to match our growth - we are now in



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task of looking after them. Especially if they exceed the £250,000 man-L

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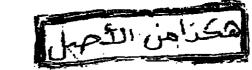
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FINANCIAL TIMES

COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1994

Tuesday November 29 1994



IN BRIEF

nearest dealer

BK Vision wins UBS injunction

BK Vision, the investment fund controlled by Mr Martin Ebner's BZ banking group which is challenging the management of Union Bank of Switzerland, has won an injunction preventing the bank from converting its registered shares into bearer shares until an appeal against the plan is heard.

Salvesen to focus on core units Christian Salvesen, the UK distribution and special-

ist hire group, is looking to sell its pollution control and brick manufacturing divisions by the end of this financial year, raising about £60m (\$93.6m) to invest in its core businesses. Page 22 Eurotunnel attacks Klesch

A furious row has erupted between Eurotunnel and

Klesch & Company, the London-based bank debt trader, over a report issued by Klesch called "Euro-tunnel Interim Results – Disaster Ahead". Page 22

BHF Bank's account trading hit BHF Bank yesterday blamed the collapse in world bond market prices for a sharp slide in profits from trading on its own account in the first 10 months.

Akzo Nobel's hydro-power side for sale Akzo Nobel, the Dutch-Swedish chemicals group, is planning to sell its hydro-power operations to Stockholm Energi, Sweden's third-largest energy producer. Page 22

Mellon Bank takes \$130m charge Mellon Bank of the US said it would take a \$130m after-tax charge to cover investment losses of customers of its stock lending business following the fall in bond prices this year. Page 24

HNV closer to control of Heron Mr Steven Green's HNV Acquisition vesterday cleared the first hurdle to gaining control of Heron International, Mr Gerald Ronson's property group, by getting substantial support from ordinary share-holders for his offer. Page 28

Cheisfield forms property venture Chelsfield, the property company run by Mr Elliott Bernerd, has formed a joint venture to buy some of central London's most expensive residential property for £48.5m (\$79m). Page 28

Barr feud continues

The family feud at Barr & Wallace Arnold Trust flared up yesterday as rebel shareholders rejected a last-ditch agreement with the board of the motor and leisure group. Page 28

Sidlaw on target with 33% rise Sidlaw Group, the Scotland-based packaging, oil services and textiles company, yesterday revealed a 33 per cent rise in pre-tax profits, lifted by a full 12month contribution from the flexible packaging businesses acquired from Courtaulds in late summer 1993, Page 27

Companies in this issue

Abtrust Emerging Akzo Nobel Angus Fire Aoki Asahi Life BBA Group Campbell Soups Cantab Pham Capital Cities/ABC Chiyoda Life Coca-Cola Coles Myer Credito Italiano Credito Romagnok Dai-Ichi Life Drayton Blue Chip Edinburgh Income European Motor Eurotunnel Ferranti Fleid Ford Motor Glaxo Golden Eagle Goldman Sechs Hadleigh Industri Harris (Philip)

28 Kalamazoo Kleinwort Benson 21 Klasch & Company Laterge Coppés 23 Lasmo (Asmo Limelight Marting Martin Currle Europe Melji Life Mellon Bank Merrydown Mitsul Life Moore Corporartion N tretand Electric Nippon Lite Novo Nordisk OEM Ocean Paca Foods Pearson Prospect Inds Prudential Secities Renault Rentokil Samcor Ham Cement Sidiaw Spring Ram Sumitomo Life , nwaites (Deniel) TransTec UBo TR Far East Income United Carriers Westin Hotel Williams Holdings Yasuda Life

Foreign exchange Gits prices Lifts equity options

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Managed funds service Money markets New Intl bond Issues New York share service Recent Issues, UK

172

Short-term int rates

Market Statistics

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Bayer looks for less competitive sectors

Bayer, the German chemicals multinational, is to re-focus its pharmaceuticals research away from crowded market sectors and step up spending on the hunt for treatments for allergies, rheumatic ailments and Alzheimer's disease, according to Mr Manfred Schnei-

der, group chairman. Budgets for established areas of interest such as heart and circulatory disease therapies would be reduced in favour of those offering greater possibilities for discovering and exploiting innovative drugs, he said yesterday.

Reporting a 32 per cent increase in pre-tax profits for the first nine months of the current year, forecasting full-year earnings up from DM2.4bn to DM3.2bn (\$2bn), and hinting of an increased divi-

Profits rise 32% as German group turns from established research areas to innovative drugs writes Christopher Parkes

However, Bayer was in other takeover negotiations and was planning a major co-operative venture. He expected negotiations to be completed during the first

quarter of the new year.

The group has recently spent DM2.1bn in the US on acquiring ChemDesign, a stake in the Schein generic drugs group and the self-medication business of Sterling Winthrop. Mr Walter Wenninger, the director responsible for pharmaceuti-

dend, Mr Schneider said he had no plans for any further acquisitions in the pharnew drugs in the final stages of clinical

Although some might not make it to market, they had a combined annual sales potential of up to DM5bn, he said. Among existing products, the antibiotic Ciprobay is expected to turn over more than DM2bn this year. He added that the Adalat high blood-pressure treatment had the potential to reach this level, while Gluxobay, already achieving sales of DM600m, would bring in more than DM1hn once approved in the US.

The group as a whole had the potential to increase earnings to more than DM4bn a year within two or three years, Mr Schneider said. This year's result had been achieved with plant running at 85 per cent of capacity compared with 75

per cent last year and 90 to 95 per cent in the peak year of 1989. Forecasting sales of around DM43bn for the current year, Mr Schneider said he expected foreign markets to grow more than Germany, where sales had risen only 1 per cent in the nine months to the end of September, and now

group turnover. Sales in north America had so far risen 8 per cent to DM7.8hn while sales in the far east were up 15 per

cent at DM4.7bn.
The German market showed distinct signs of improvement in the third quar-

ter, when sales increased 4.6 per Among sectors, the highest growth rates in the nine-month period were recorded in polymers and industrial products, both up 8 per cant in sales terms thanks to lively demand in the automotive and building industries.

Health care sales rose 5 per cent although the Agfa business managed only a 1 per cent increase.

Industry minister says privatisation should proceed after election | Salvesen to sell units

Renault sale likely next year

By John Ridding in Paris

Renault, the French state-owned motor group which was floated on the stock market earlier this month, should be privatised in the second half of next year, Mr José Rossi, the French industry minister, said yesterday. "Today Renault is quoted on

the bourse and has stable shareholders . . . It should prepare itself for a new step, that of privatisation," Mr Rossi told the Senate, the upper house of the French parliament, while presenting his ministry's budget for

The remarks by Mr Rossi are the first indication of a timing for the full privatisation of Renault, a subject which is rendered sensitive by the company's status as a former trade union stronghold During the company's flota-

tion, in which the government reduced its holding from 80 per cent to just over 50 per cent, Mr Edmond Alphandéry, the economy minister, said privatisation was "not the order of the day". The government has previously refused to comment on the possi-

ble timing of a full privatisation. Officials sought to play down differences within the government. They said Renault was on the list of 21 public sector groups scheduled for privatisation by the centre-right government and that its sale was therefore expected. But some expressed reservations about Mr Rossi's remarks, arguing that it was not advisable to predict such an operation so far

Mr Rossi's comments will, however, reinforce the assumption of most industry observers that the French government will move to

in advance.

relatively quickly after next spring's presidential elections. "It always seemed likely that they would go below 50 per cent once the elections are out of the way," said one motor industry analyst

at a French merchant bank. The partial privatisation, which was completed on November 18, drew strong demand from employees and from institutional investors, who subscribed for more than 15 times the number of shares offered.

However, the issue was less enthusiastically received by individual investors, resulting in a subscription rate of 1.4 times the shares on offer, Strong institutional interest has pushed Renault's shares above the FFr165 offer price. Yesterday, the shares closed at FFr181.

Before a full privatisation, the

Renault must conclude partnerships with other industry groups to secure its future as a private company following the collapse

cent of the shares in its erstwhile

are favourable.

of merger plans with Volvo at the end of last year. Volvo retains just over 11.3 per

merger partner, but Mr Soren Gyil, the chairman of the Swedish motor group, said yesterday it planned to sell its remaining holding when market conditions

Mr Rossi also confirmed the government's intention to open the capital of France Télécom, the state telecoms operator. The proposal, which prompted strong resistance from unions last year, is aimed at cementing alliances with international telecoms groups. These include Deutsche Telekom and Sprint of the US.



Williams stokes up fire protection

By Peggy Hollinger in London

tion arm of BBA Group, the UK automotive components company, for £80m (\$131m).

The deal brings the total spent on acquisitions by the British diversified industrial group to almost £250m in the past 12 months. Mr Nigel Rudd, Williams' chairman, expec-

ted the pace of acquisitions to slow. "We have got to digest these businesses first," he said. Williams has bought four other businesses since December, some of which were funded by a £267m rights issue in April. Angus Fire, which makes hoses, foam and

foam equipment for the fire industry, will propel Williams into the world number-one slot for fire boses with 21 per cent of the £110m global market. Williams will also rank

second after Monsanto of Italy in the manu- of the promised £200m in disposals. facture of foam and foam equipment, with Mr Roberto Quarta, BBA chief executive, Williams Holdings signalled a slowdown in its hectic acquisition campaign as it about £300m. Last year Williams fire protection division returned operating profits of the Angus sale: "It is a good fit for about £300m. Last year Williams fire protection division returned operating profits of the Angus sale: "It is a good fit for williams and a good price for us." BBA expectant on disposal this year of about £48m on sales of £249m.

Mr Rudd said there would be considerable industrial synergy and cost savings from merging Angus's operations with Silvani of Italy, the foam fire protection group acquired for \$16.5m in October, and the company's Kidde subsidiary. He expected that within two to three years the business would be achieving a return on sales of about 15 per cent, against the 8 per cent.

Williams is expected to incur costs of between £3m and £5m for reorganising For BBA, the disposal marks a step towards

completing the restructuring launched last year. So far, the group has raised roughly half

be subject to a net asset adjustment.

Lex. Page 20

stock trading on a 12 per cent premium to the market," said one analyst. Angus reported operating profits of £7m, on sales of £76.1m for the year to the end of December. Net assets were \$27.4m. Williams will pay £69.9m in cash and tume £10m in debt. The consideration will

Williams accompanied the announcement

of the acquisition with a trading statement

described by analysts as "rather dull". The

company reiterated its comments at the

interim stage that it expected to achieve its

1994 expectations. "That's not enough for a

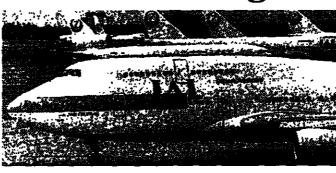
Chris Masters, chief executive of Christian Salvesen, the UK distribution and specialist hire firm, hopes to sell two divisions to concentrate on core businesses. Story, Page 22; Details, Page 28

JAL says Y176bn currency losses will not hit earnings

Japan Airlines said yesterday its earnings would be unaffected by estimated losses on 1985 forward currency buying contracts total-ling Y176.3bn (\$1.7bn) by the end of this accounting year.

The size of the figure, unconfirmed by JAL, caused a 4 per cent drop to Y681 in the share price, although analysts have long known that the airline is working its way through a huge pile of currency losses caused by the dollar's sharp fall against the

JAL said the losses had already been accounted for in past and future aircraft depreciation charges. While unable to confirm the exact loss, calculated by the Asahi Shimbun newspaper from currency contract records, JAL covering the decade to March



Aircraft depreciation charges have taken account of losses, JAL says

Last month JAL announced Y43.9bn of unrealised currency losses for the two years until March 1997. It was JAL's first such announcement, a consequence of a change in Japanese disclosure rules to give investors more information about companies' currency exposure. Others to have disclosed cur-

Finance Ministry orders derivative transparency

By Gerard Baker in Tokyo

Japan's financial institutions will be required for the first time to disclose information about their derivative holdings, the Pinance Ministry said yesterday.

The disclosure rule is expected to focus on the type of derivatives contracts and their value. and could be enforced as early as next March, according to ministry officials.

The market in derivatives. securities such as futures and options contracts, developed in Japan in the late 1980s. Trading in many widely-used instruments is highly circumscribed by the Finance Ministry, but Japanese banks and brokers have

been active in developing a market in those derivatives that are permitted.

In the last year regulators watched with alarm as the highly-geared nature of derivatives increased the exposure of companies to heavy losses. Earlier this month, one Japanese broker, Tokyo Securities reported that it had lost Y32bn (\$324m) from contracts on currency options, a sum equivalent to more than a third of the value of its share-

holders' equity. The authorities have expressed deepening concern about the market, as Japanese companies previously were required to give only sketchy details about their derivatives portfolios.

rency losses in their half-year reports include All Nippon Airways, with a Y10.7bn shortfall also on forward dollar buying contracts - and 10 companies in the construction and electronics JAL's currency shortfall comes

from forward contracts to buy dollars for yen, at rates agreed in the mid 1980s, when the dollar was worth more. JAL needs to buy dollars every year, because it pays more than \$1bn annually for fuel and aircraft, but earns most of its revenue in yen. Forward contracts allow it to calculate in advance the full yen cost of buying aircraft, even at the risk of a costly miscalculation.

The company used to take out long term futures contracts, running up to 10 years ahead, to fund its aircraft buying programme, Alarmed by the growing currency losses. Mr Susumu Yamaji, the president, earlier this year asked his finance department to buy dollars on shorter and less risky forward contracts.

JAL reported a turnround with a Y20.6bn recurring profit on its operations for the six months to September and is expected by equity analysts to make a small profit for the full year, turning the corner after three years of

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INTERNATIONAL COMPANIES AND FINANCE

Italian bank set to lift bid for rival |Eurotunnel

Shares in Credito Romagnolo (Rolo), were suspended yesterday morning amid growing speculation that Credito Italiano (Credit), the Milan-based bank, was preparing an improved offer for its Bolognese competitor.

Credit revealed a month ago that it was planning a L2,000bn (\$1.24bn) bid for a 48 per cent stake in Rolo which would give it control of the bank.

Rolo has reacted defensively, reviving plans for a merger with CAER, parent of the local

Lafarge Coppée, the French

mio in Bologna (Carisbo). Credit's shares fell by more than 4 per cent yesterday on speculation that the bank might have to pay as much as L23,000 a share for Rolo, against Friday's closing price of L17,096, and bid for a larger

In its original plans, Credit said it was prepared to offer L19.000.

Consob, the Italian stock exchange watchdog, suspended the Rolo shares after Italian newspapers reported at the weekend that Credit was plan-

ning a new bid in an attempt to win over Rolo's shareholders before December 19, when they must vote on the merger

Mr Enzo Berianda, Consob chairman, yesterday told Ansa. the Italian news agency, that work was under way on the Credit-Rolo dossier at the authority's Milan offices.

Credit's promised bid has still not been approved by the Bank of Italy, which supervises the Italian banking system. That puts the Milan bank at a disadvantage, because the central bank has already given the go-ahead to the Carisbo-Rolo

The Bolognese banks have laid great emphasis on preserving their regional roots, which suggests that extra cash would not be enough to win over local Rolo shareholders to the Credit offer. The Milan bank might also have to make certain guarantees of shareholder rights.

However, advocates of the Credit bid point out that the main shareholders of Rolo are not closely linked to the region and may be more willing to sell to the highest bidder.

pany, the London-based bank debt trader, over a report issued by Klesch called "Eurotunnel Interim Results Disaster Ahead". The channel tunnel operator has written to Fimbra, the UK financial regulator, saying

in row with

UK bank

By Robert Peston

debt trader

A row has erupted between

Eurotunnel and Klesch & Com-

that the report is "seriously misleading and is plainly the product of serious negligence". The letter by Mr Graham Corbett, the group's chief financial officer, says: "There appears to me to be the plainest indications of a breach of your rule requiring reports of this sort to be fair and not misleading and consequently

Mr Gary Klesch, founder of the debt-trading firm, said there was "nothing wrong with the report...We stand

by it". He complained that Eurotunnel had consistently refused to co-operate with his firm's analysts when they were preparing reports and that there is "no hint that Fimbra is taking the complaint seriously".

Mr Klesch urged the company "to use the courts" if it believed the report was seriously in error.

Mr Corbett believes that the report is in part responsible market at 60p in the pound. A number of Eurotunnel's

200 bank creditors have become concerned about the low market price for these loans. As a result, Mr Corbett has also written to Mr Anthony Jarrett, who co-ordinates Eurotunnel's relationship with its banks, asking him to inform them it has "filed a formal complaint" against Klesch & Company.

The Klesch report, written last month, forecasts that the group runs out of cash next year and has a £423m deficiency at the end of 1998. Mr Corbett says this is "fundamentally wrong".

Heron vote, Page 28

Akzo Nobel's hydro-power operations put up for sale

By Christopher Brown-Humes in Stockholm

Akzo Nobel, the Dutch-Swedish chemicals group, is planning to sell its hydro-power operations to Stockholm Energi, Sweden's third-largest energy producer.

Analysis said the deal could be worth more than SKr2bn (\$160.7m) on a debt-free basis.

long involvement by Nobel in the energy business and is in line with its strategy of focusing on core businesses. Akzo Nobel, formed this year

The move will end a century-

den's Nobel Industries and Akzo of the Netherlands, has a 40 per cent stake in Njordkraft. which owns four medium sized and three smaller hydro-power plants in Sweden with a combined production capacity of 940 gigawatt hours. The plants have traditionally met about 50 per cent of the group's Swedish energy needs.

The remaining Njordkraft shares are held by financial investors, mainly pension funds and insurance groups. Akzo has options to purchase

through the merger of Swe these shares next year, den's Nobel Industries and enabling Stockholm Energy to gain full control of the can-

Mr Dag Stidmqvist, manag-ing director of Eka Nobel, said: "We are not in the power burnings. We are in the chamicals business." He declined to sits close terms, saying talks were at an early stage.

Stockholm Energi produces around 13 terawatt hours of electricity a year. Half its output is generated by nuclear power and 35 per cent by hydro-electric power.

Lafarge rules out role in US deal

By John Ridding in Paris

building materials group, has ruled out a plan to co-operate with Golden Eagle Industries in its \$940m bid for National Gypsum, the second-largest US plasterboard manufacturer. The French group, which holds 10 per cent of the shares

in National Gypsum, said it had rejected the idea of a joint bid, and was studying what to do with its stake. The decision complicates the task of Golden Ragie, which holds 19 per cent of National

Gypsum and is leading the bid by a group of North Carolina-Golden Eagle, headed by Mr C. D. Spangler, non-executive chairman of National Gypsum, may also face barriers to any hostile bid. These were agreed

by shareholders of the plasterboard company last week. Industry observers dis-counted the idea that Lafarge Coppée would make a rival offer for control of National

Although Lafarge is one of Europe's largest plasterboard manufacturers, and has a strong presence in the US building materials market, analysts say it probably cannot afford to be part of the

National Gypsum acquisition. Lafarge declined to comment on whether it would vote against the bid offer, or what it planned to do with its stake in the US plasterboard

BK Vision wins injunction against UBS share plan

BK Vision, the investment fund controlled by Mr Martin Ebner's BZ banking group which is challenging the management of Union Bank of Switzerland, has won an injunction preventing the bank from converting its registered shares into bearer shares until an appeal against the plan is

UBS shareholders narrowly approved the conversion plan - with 57.8 per cent of regis-tered shares in favour - at an extraordinary meeting last Tuesday, following a tense proxy battle between BK Vision and the UBS board. BK Vision, the largest share-

BHF Bank yesterday blamed

the collapse in world bond

market prices for a sharp slide

in profits from trading on its

own account in the first 10

months. However, it said this

was almost entirely offset by

earnings from normal cus-

Operating profits at the Ger-

man bank were 0.7 per cent lower at DM265m (\$170m), after

a 22.5 per cent rise in partial operating profits (which

exclude own-account trading in

securities, foreign exchange

By Andrew Fisher

tomer business.

in Frankfurt

weight attached to their The registered shares have a par value of one-fifth that of the bearer shares, giving an investment in them much

holder in UBS, claims the plan

is illegal because it does not

offer compensation to

registered UBS shareholders

for the loss of the extra voting

greater voting power than a

similar investment in bearers. A Zurich district court judge yesterday accepted BK Vision's argument that it would be difficult to reverse implementation of the plan if an appeal court ruled much later that it was

The two sides will now present their arguments to the judge on a suitable deadline for

and other financial instru-

The bank managed to

increase its interest earnings

by 16 per cent to DM598m, with

commission profits up 4.9 per

cent to DM298m. Operating

costs were held to a 5.5 per

Profits on the bank's own-

account trading were 85 per

cent lower at DM14m, continu-

ing the decline of earlier

months which reflected write-

downs on BHF's bond portfo-

lio. It increased its had-loan

provisions by 13 per cent to

DM149m. The bank is exposed

to both the Schneider property

cent increase at DM521m.

ments) to DM375m.

BK Vision to submit its appeal

By law, the latest possible date is January 22, but UBS will argue for an earlier deadline so that the case can be decided as quickly as possi-

The UBS board wants to implement the conversion before the next annual general meeting in April.

At that meeting, 10 of the 23 directors' terms expire, and BK Vision is trying to rally a majority of votes in support of substantial changes to the board.

If the conversion goes through, the voting power of BK Vision and other large registered shareholders will be substantially reduced.

and Balsam/Procedo factoring

Two months ago, the bank

announced plans to turn itself

into a joint stock company and

strengthen its asset manage-

ment and corporate finance

The costs of the reorganisa-

tion will weigh on next year's

result, and probably that of

1996, but should eventually

lead to increased returns on

capital. Munich Re. the world's

largest reinsurance company

recently disclosed a 5 per cent holding in BHF. The Allianz

insurance group and DG Bank

business throughout Europe.

collapses.

Steel stake disposal helps NCC ber. British Steel picked up a lafter including write-downs of

NCC. Sweden's second largest construction group, said yesterday that a SKri.2bn capital gain from the sale of its 22.5 per cent stake in Avesta Shef-field, the Anglo-Swedish stainless steel producer, had given a sharp boost to profits in the first nine months

The sale helped the group to compensate for the continuing recession in the Swedish construction market. It reported a SKr1.45bn (\$194.2m) profit after financial items for the period, compared with a SKr546m surplus a year ago. If one-off items are excluded, income improved

to SKr262m from SKr68m. NCC sold its holding in Avesta for SKr2.2bn in Septem-

big portion of the shares, lifting its stake in Avesta to 49.9 per cent from 40 per cent. NCC said its main construc-

tion operations continued to be hit by difficult market conditions, which lowered group. to SKr12.0m from sales SKr13.0bn But Mr Jan Sjöqvist, group president, said there were

clear signs that the market trend is reversing". He said orders received by the group's Swedish construction businesses had been 30 per cent higher than last year at SKr9.7bm. Total orders rose to SKr11.0bn from SKr9.1bn

The group is predicting a full-year profit of between SKr900m and SKr1hn. This is

between SKr800m and SKr400m in the full-year accounts, primarity linked to properties held for future development outside Sweden. Last year, the group achieved a SKr175m profit.

NCC's civil engineering. building and production units reported nine-month profits of SKr407m, down from SKr524m

The group's real estate divi-sion remained in the red, with a SKr191m loss, only slightly down on last year's SKr199m

NCC Invest lifted profits to SKr1.37bn from SKr446m. Excluding one off items, the unit swung to a SKr151m profitfrom a SKr33m loss.

Salvesen to focus on core units for Eurotunnel's bank debt BHF Bank's account trading hit being quoted in the secondary

By Simon Davies in London

Christian Salvesen, the UK distribution and specialist hire group, is looking to sell its pollution control and brick manufacturing divisions by the end of this financial year, raising about £60m (\$93.6m) to invest in its core businesses.

The disposals would almost halve its £129m of net borrowings and Salvesen is looking at acquisitions in European distribution, after the success of its £84m purchase of Swift, the industrial distribution company.

The group's results, however, were less upbeat. Pre-tax acquired for £7.6m in 1991.

profits for the six months to eptember rose 1 per cent to £41.4m in spite of the impact of Swift, which was purchased in October 1993. Salvesen issued a profits

warning last February, after a rapid downturn from Aggreko, its specialist plant hire business. Aggreko's latest figures reveal a turnround in the US, which achieved 23 per cent growth. Generator hire for the World Cup helped, but it also benefited from large cost cuts. However, Aggreko's European businesses offset most of this mprovement.

Light & Sound Design.

slumped into loss, and Salvesen plans to trim its operations. This could lead to second-half write-downs, which will offset likely profits from the sale of the brick business.

The specialist hire division saw operating profits fall 45 per cent to £14.8m. Distribution now accounts for almost half of Salvesen's £319.3m (£262.3m) turnover, and the division's profits rose 20 per cent to £21.6m, boosted by a £5.7m contribution from Swift.

The company is paying a 3.4p dividend, up from 3.3p. Carnings per share were 10.5p

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This announcement appears as a matter of record only. November 1994 has acquired the remaining 25% of its shares held by Marc Rich + Co Holding AG The undersigned acted as financial adviser to Glencore International AG Union Bank of Switzerland

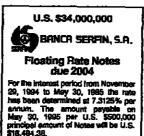


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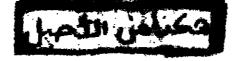
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28th Decamber, 1994. Agent Bank and
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INTERNATIONAL COMPANIES AND FINANCE

Ford returns to Samcor with 45% stake

By Mark Suzman in Johannesburg and Kevin Done in London

Ford of the US, the world's second largest vehicle maker, is re-entering the South African market through the purchase of a 45 per cent stake in South African Motor Corporation (Samcor). Ford divested its equity interest in Samcor in late 1987 as part of a series of withdrawals by US companies from South Africa in response to pressure

from anti-apartheid groups. Samcor assembles Ford vehicles and some Mazda and Mitsubishi models. Ford will hold an equal stake with Anglo-American Industrial Corporation, buying 31 per cent of Samcor's equity from Amic and a further 14 per cent from the Samcor Employees Trust. This

Pearl Tyre

offering takes

ASX closer to

'Asian board'

Efforts by the Australian Stock

Exchange (ASX) to secure

enough foreign listings to form a special "Asian board" within

its local stock market took

another step forward yesterday

when Pearl River Tyre, a Chi-

nese tyre business, announced plans for a A\$45,2m (US\$33.4m)

Pearl River is a Bermuda-

based company formed to hold

a 70 per cent interest in Guang-zhou Pearl River Tyre. GPRT,

in turn, is based in Guangdong

province and makes tyres for

buses and other commercial

vehicles. The remaining 30 per cent of GPRT is owned by

Guangzhou city, which was formerly the sole ultimate

Pearl River is planning to

sell 45.2m shares at A\$1 each.

This stock will represent 86 per cent of the company's issued

capital, and the balance will be

held by the government of

Guangzhou and professional advisers involved in the trans-

action. A group of Malaysian

businessmen has already agreed to subscribe for some

18.4m shares, and a similar

amount has been placed with international institutional

investors. This leaves about 10m shares available for the general public.
The money raised will be used to double the company's

production capacity by 1997,

from about 1m tyres a year at

The listing, which is expec-ted to take place early in 1995, will mean that about half a

owner of the tyre business.

share offering.

By Nikki Tait in Sydney

cent staying in the hands of the trust. Mr Jim Miller, director of eastern Europe and export operations for Ford of Europe, is to become Samcor group managing director and chief executive. The deal, which has been expected for several months, in effect marks a

return to the situation that existed prior to Ford's disinvestment from South Africa. Samcor was formed in 1985 as a joint venture between Ford South Africa, which had been founded by Ford Can-

ada in 1933, and Anglo-American's existing automotive interests. Mr Wayne Booker, Ford executive vice-president of international automotive operations, said he hoped the US

will leave AMIC and Ford both holding group's direct involvement would prove 45 per cent with the remaining 10 per to be a spur to improved production and new export initiatives by Samcor.

"When I say Ford will re-establish its presence in South Africa, I mean it," he said. "This is not only an investment. Our action symbolises Ford's commitment to the South African market and the success of Samcor."

Mr Booker declined to disclose the financing of the transaction, saying only that it was a combination of new cash, new equipment and product investment. It was revealed, however, that the Employees Trust had received R50m (\$14.1m) for the 14 per cent of Samcor equity it had sold to Ford.

Samcor is currently in fourth place among South Africa's seven main vehicle makers. It has monthly sales of

Change on

48.0

around 2200 vehicles, trailing market leaders Toyota, Volkswagen and Nissan, but ahead of Mercedes-Benz, Delta (which manufactures Opel models) and

South African producers currently manufacture about 320,000 units a year, of which passenger cars account for just over two-thirds. Almost all produc-

tion is for the local market.

The industry is under intense pressure, however, as South Africa begins to dismantle its high tariffs on imported motor vehicles, currently about 100 per cent, in line with Gatt requirements. Manufacturers, organised labour and the government are in negotiations to find an acceptable schedule for phasing out most of the industry's protection over the next eight years.

yesterday that it had notified the TSE of its plans to relinquish its regular membership of the exchange, transferring it to a third party.

The decision reflects Prudential's plan to "substantially downsize" its operations in Janane, including Jananese. Japan, including Japanese equity business, as part of a wholesale review of the parent's worldwide operations,

US Pru's

stockbroker

unit to quit

Tokyo SE

By Gerard Baker in Tokyo

Prudential Securities, the

stockbroking arm of Pruden-tial Insurance of the US, is to

join the lengthening list of for-

eign securities companies leav-

ing the Tokyo Stock Exchange.

The company announced

the company said. Sale of its TSE membership will enable Prudential to cut operational expenditures and divert funds for other businesses. But it said it planned to continue to trade US securities in Japan, as well as Japa-

nese government bonds. In the last few years foreign brokers have been leaving Japan as business in the Japanese securities market has dried up. Equity trading volumes reached a peak of more than 1bn shares a day in 1989 but then fell to less than 300m shares a day last year. After a slight increase in the first half of 1994, volumes have slumped

Foreigners flocked to Tokyo in the 1980s as the market was liberalised and equity trading increased exponentially. The total of subsidiaries and representative offices grew from 112 in 1984 to 280 in 1991. But since the slump, many brokers have been leaving the TSE. Prudential's departure takes the total to below 230.

Aoki sells stake in Westin Hotel group for \$561m

Aoki, a Japanese construction company, has sold its share-holdings in the Westin Hotel group for \$561m to US real estate investors Starwood Capital Group and a subsidiary of Goldman Sachs.

Aoki sold its shareholdings in two Westin group compa-nies, Westin Hotel and Westin International Europe, which operate 63 hotels in 11 North American and European countries and the Westin trademark rights in South America.

Aoki is another company on the list of Japanese corporations struggling with overseas investments made during the economic "bubble" of the late 1980s. The construction group, together with a group of US investors, bought the Westin hotel chain of 80 hotels in 19 countries in 1988 for \$1.35bn. Immediately after the pur-

chase, Aoki and the investors sold off the Westin Mauna Kea in Hawaii and the Plaza in New York for more than \$700m. Since then the Japanese company has faced mounting interest payments on its debts and last February attempted to sell the hotel chain to a Mexican investor.

The company said it would use the income from the sale to repay the group's outstanding loans of about Y52bn (\$526.5m) which includes funds borrowed for the initial purchase of the hotel group. The proceeds will also be used to cover the Y34bn in loan guarantees by Aoki to its resort subsidiaries.

Westin will own the trade mark in North America, South America, Europe, Africa and the Middle East. In Asia, Aoki will maintain ownership of the Westin trademark and enter into partnership with Westin

Siam Cement increases third-quarter profit 34%

By William Barnes in Bandkok

Siam Cement, Thailand's biggest manufacturing conglomerate, said that robust growth in all its five main business areas enabled it to lift consolidated net profits for the first nine months by 52 per cent to Bt3.91bn (\$156.4m). Consolidated profits in the

third quarter surged 34 per cent to Bt1.38bn on sales 18 per cent higher. Cement and construction

materials, which account for

more than half the business.

rainy season third quarter; cement sales alone rose 11.3 per cent over the year-ago Several Bangkok analysts said they would revise upwards their full-year profits

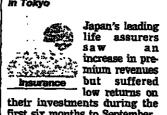
forecasts for the company in

the light of the latest

were surprisingly strong in the

figures.
Miss Sirinuch Tharmapornpi las, at Jardine Fleming Thanakom, said she now expected full-year net profits of around Bt5.2bn, 10 per cent higher than the firm's earlier

Poor returns for Japan's life groups Interim results to September 1994 (Ybn)



first six months to September. Combined premium revenues at Nippon Life, Dai-Ichi Life,

Sumitomo Life, Meiji Life, Asahi Life, Mitsui Life, Yasuda Life and Chiyoda Life rose 13.4 per cent to Y12,076.4bn (\$122.7hn) due to higher premiums from April. But a sluggish domestic bond market and smaller interest and dividend income amid low interest rates hurt returns on investments, and the top eight assurers saw aggregate income from these sources fall 9.7 per cent to Y2.892.5bn. Investment returns were less

than 4 per cent on average, sharply lower than the companies' prospective dividend payout rates for policyholders. Investment yields have not stopped falling since peaking at 6.8 per cent in 1989, and a further decline may force the companies to cut their dividend payments for the fifth

1.951.6 1.108.5 +17.3 consecutive year. Officials at the companies said they were still considering the possibility. While the leading companies have the unrealised gains on stocks to support them, declining investment yields, bad

Income

2.918.8

loans and slowing growth in new contracts are affecting the financial soundness of some of the industry's smaller companies. Analysts reckon some of the bigger groups may be forced to support the financially-troubled smaller companies following the industry's liberalisation scheduled in 1996. Insurance benefit payments

for the top eight companies rose 22.1 per cent, with many policies maturing or being cancelled. Meanwhile, the combined balance of non-performing loans fell 3.6 per cent to

The companies have been selling their long-term shareholdings to cover for the declines in investment returns. Profits from stock sales rose at all eight companies except Sumitomo, with combined gains up 4.7 per cent to Y293.9bn. Profits from stock sales surged by four times at

Return on Change on

uda's gains doubled to Y26.9bn. Total unrealised gains from stocks, which have traditionally acted as a buffer against losses on investments, totalled Y11,068bn at the end of September, up 2.4 per cent from the end of March due to a slight rise in the stock market.

Nippon to Y22.7bn while Yas-

However, the figure is still insufficient to absorb further losses on high-risk investments and asset allocations of the companies are expected

During the first half, compa-nies allocated funds to the domestic bond markets and loans, while reducing foreign

to remain conservative.

currency exposure. At Nippon, the industry leader, bond investments at the end of September rose 2.4 points from six months earlier to 15 per cent of total investment assets, while overseas securities invest-ments fell 0.8 points to 6 per cent. Sumitomo's bond investments rose 2.8 points from the end of March to 18.2 per cent of total investment assets while funds in deposits fell 2.4 points to 4.3 per cent.

+12.4

New Issue

Coles Myer in property sell-off

By Nildd Tait

Coles Myer, the large but troubled Australian retailer, said yesterday it had arranged to sell more than A\$500m (US\$370.2m) of retail property. The move is part of a plan to rationalise its A\$1.5bn property portfolio, offset the current A\$4.1bn capital investment programme and prevent it becoming "overweight" in

Coles is selling its 50 per cent interest in the WestMyer Trust, which owns shopping centres in Adelaide and Southland, to the Australian Mutual properties and development costs to date at A\$580.8m - or Coles' share at A\$290.4m.

In addition, a joint venture is being established with the Industry Superannuation Property Trust, which will take in A\$113.8m of properties from Coles, mainly shopping centre interests. ISPT will have a 75 per cent interest in the venture, and Coles, 25 per cent. The disposal of a variety of smaller property interes makes up the balance of the A\$500m.

Coles' gearing has risen significantly recently, as result of buying back the 21.45 per cent of its shares held by Kmart, the US retailer.

Provident Society, the life office. The deal values the two

dozen "China concept" stocks trade on the ASX, with Pearl River being the largest.

Correction Pioneer

be about A\$60m.

In a recent report of Pioneer's interim results it was incorrectly stated that the company's consolidated sales were down to Y129bn from Y130.9bn. This should have read down to Y245.6bn from Y255.5bn.

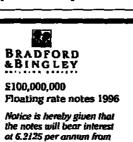
Indonesian noodle maker's profits soar

Indonesia's largest noodle maker, almost trebled compared with a year ago in spite of press reports about food poisoning, denied by the company, during the period, Reu-

Nine-month earnings at ter reports from Jekarta-Indofood Sukses Makmur, Net profits for the

Net profits for the nine months advanced to Rp145.61bn (\$66.9m) from Rp50.04bn a year ago, on sales of Rp976.93bn compared with Indofood, part of the Salim

group and 50.1 per cent owned by Indocement Tunggal Prak-arsa, is said to have told analysts that, as a result of the food poisoning reports it had revised its full-year profits down to between Rp200bn and Rn220bn from Rn255,22bn.



SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury looking acter you're looking at is more likely to be your average neighbour bood slob with a grubby west and a

weekend's shibble on his chin. And the real religee could just as easily be the clean cut fellow on his left. You see, religees are just like you

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LM. Trust & Co.

Mellon Bank takes \$130m charge over stock lending

By Richard Waters in New York and Norma Cohen

Mellon Bank of the US said it would take a \$130m after-tax charge to cover investment losses of customers of its stock lending business following the fall in bond prices this year.

The move is the latest sign that some banks, ambitious to develop their global custody and stock lending businesses. bave bought unsuitable securities with cash which was deposited by their customers as collateral

In June, Harris Trust, a subsidiary of Bank of Montreal. said it would absorb \$51.3m of investment losses for stock lending customers, leading to an after-tax charge of \$33m. Mellon said the charge announced yesterday sprang from its intended purchase of interest rate swap contracts to change the characteristics of

investments under its control. These swaps would be used to tie the investments to short-term floating rates, the bank said. Mr Frank Cahouet, Mellon's chairman and chief executive, said that the bank had decided that "the interest rate sensitiv-

ity of certain client portfolios

is not appropriate under cur-

rent conditions for the unique

requirements of the securities

ending busines Mellon did not provide rate swaps suggests that it had invested the cash in longer term bonds, prices of which have fallen steadily this year.

The returns from investing collateral have become an important source of income in the global custody business. Custodians, which hold securities on behalf of institutional investors, lend the securities to brokers and others for short periods, receiving collateral in return. The broker is generally paid a return on the collateral equivalent to overnight interest rates. Any additional investment return is usually kept by the custodian. Global Custody Survey,

Novo Nordisk adapts its strategy in changing market

in Copenhagen

The shine has been knocked off Novo Nordisk's shares this year. The Danish pharmaceuticals and industrial enzymes producer has been hit by a rapid rise in costs, contributing to a 7 per cent slip in ninemonth profits to DKr934m (\$153m) from DKrlbn; problems meeting demand for insulin in the US; and the resignation of an important member of the management board following a reorganisation of

The share price fell by DKr15 when the interim results were announced earlier this month. They have picked up since, but at DKr554 yesterday the price 12-month high of DKr748.

Mr Mads Ovlisen, chief executive, said: "We are trying to adapt our strategy, our organisation, to the huge changes taking place in the market place. We are also adapting to increased regulatory pres-

The shortfall in insulin supply to the US, where it competes with Eli Lily, the world's other leading supplier, was

Financial Times

page in Denmark. This was compounded by a delay in bringing a new production plant on stream in the US. The delay. Mr Ovlisen said, was caused by the need to ensure the plant met the US Food and Drug Administration's stringent regulatory guidelines, "a

tremendous task". The supply problem is now over, and he hopes the US plant will go into production

early next year.

The market situation in the US is changing because the large pharmaceutical producers are buying up healthcare provider groups in order to

gain a captive patient base.
"Buying decisions are made by the healthcare provider organisations. The medical doctor is no longer king," said Mr Ovlisen. The key to survival for a rel-

atively small company such as Novo Nordisk, with turnover last year of about DKr12.16bn, is to be able to innovate and to supply value-added products which the healthcare providers will continue to need, he said. With this in mind board of management responsibilities were changed last spring, to make decision-making faster. caused by a production stop- However, Mr Erik Scrensen, a

found the changes did not suit him and he resigned this

The company also wants to concentrate on new products, partly by releasing resources from other areas. This was reflected by its recent decision to sell its bulk penicillin pro-

The obverse of this disposal is the DKr6bn-plus which has been invested in new plant over three years, with five new international plants in enzymes and pharmaceutical production due to start up in oming months. This, said Mr Kurt Anker Nielsen, finance director, was one of the main reason why costs, up 16 per cent against a sales increase of 12 per cent at nine months,

Staff for the plants have been recruited, although the plants are not yet contributing to sales. Depreciation costs

The group has a stated aim of increasing profits by 15 per cent a year, he said. Viewed over the 1991-94 period, the average increase will be about 13-14 per cent in spite of this year's slip, "so we are not that

Sheinberg steps down at Goldman Sachs

Bv Norma Cohen. Investments Correspondent

Mr Eric Sheinberg, the Goldman Sachs partner from whom Mr Robert Maxwell's former employees are seeking restitution of some of their pension assets, has resigned.

From the beginning of the 1995 fiscal year, Mr Sheinberg, Goldman Sachs' longesttenured general partner, will become a limited partner, the status accorded those who are no longer pursuing full duties.

He will continue to work as a proprietary trader - buying and selling shares for the firm's own account. A spokesman for the firm said Mr Sheinberg had asked to become a limited partner to give himself more time to pursue his personal interests.

Goldman Sachs partners may not withdraw their capital from the firm in full upon retirement, but withdraw it over a period of years instead usually in the form of interest on the sum they have built up. Mr Sheinberg became a gen-eral partner in 1971 after 10 years with the firm.

An internal memo credits Mr Sheinberg with having pioneered the concept of "24-hour trading" in international securities markets and for introdu cing US-style block share trading to the European markets. In April, lawyers for the Mirror Group Newspapers

the Maxwell Communications Corporation Works Pension eme filed lawsuits in New York each seeking \$57m from Goldman Sachs and Mr Sheinberg personally in connection with the alleged diversion of scheme assets. The lawsuits, which are continuing, also seek unspecified damages.

The writs centre on the purchase of £55m (\$90.20m) of MCC shares from the pension schemes by two Swiss trusts, Servex and Yakosa, which were transacted through Goldman Sachs and for which the schemes were never paid. Both Goldman Sachs and Mr

Sheinberg have said they will vigorously contest the

Moore transforms its approach

New chief executive is spearheading shake-up, writes Bernard Shaon

The occupants of Moore Moore Corporation Corporation's executive suite atop one of Toronto's tallest office towers would have felt quite out of place little more than a year ago.

The 116-year old company was coasting on its long record as the world's biggest supplier of paper forms used by almost

A balance sheet with virtually no debt and a steady flow of revenues from products as varied as credit-card slips, cash-register receipts and train tickets had lulled Moore into a complacency not uncommon among well-entrenched market

This month it reported ninemonth net profits of US\$82.2m, or 83 cents a share, up from \$60.6m, or 61 cents.

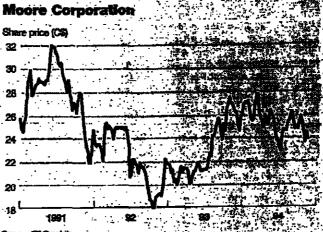
In spite of being one of Canada's biggest companies, with 22,000 employees and annual revenues of \$2.3bn, Moore saw no need for a public relations department. Staff turnover was exceptionally low. The chief executive had been with the company for 34 years and the chief financial officer for 43.

However, the leisurely atmosphere has evaporated since Mr Reto Braun took over as chief executive in September

"This year, more things are happening than in the past 20," says Swiss-born Mr Braun, who spearheaded a top-to-toe shake-up at Unisys, the US computer and defence electron-

He has hired a new chief financial officer from Northern Telecom, the Canadian telephone equipment maker. The new head of the business systems division is a former McKinsey & Co consultant who also worked for Mitel, another Canadian phone equipment

Recruits from the computer and telecommunications industry give a clue to an even bigger change. While paper will continue to play a role in busi-



ness records and transactions for the foreseeable future. many traditional business forms now comprise words and

lines on a computer screen. The speed and accessibility of electronic data allow companies to use the information on these forms for an increasing number of purposes. Labels, another Moore staple, are being transformed by bar-codes into part of elaborate data

Companies are also demanding a wider range of services from suppliers. "The customer doesn't just want a product any more," Mr Braun says. "He wants a solution to his

r Braun's credo is that if a chief execu-**▼** Live needs to inflict pain, it should be done quickly, but fairly. In the 14 months since he took over, Moore has chopped about 2,000 jobs and closed six plants. A \$229m restructuring charge, taken at the end of 1993, drained away 14 per cent of the company's

The long-term aim is to transform Moore from a sup-plier of business forms into a provider of a much wider range of information-handling products and services.

it will concentrate on three businesses: forms and formmanagement systems; labelling systems, including bar-codes;

such as direct mail. in each case, Mr Braun is targeting only a handful of sectors. For instance, the customer communications division will aim primarily at publishers and retailers. The labels business will be directed mainly at manufacturers, the

and customer communications,

transport sector and retailers. "We have to sell earlier and higher in the sales cycle," Mr Braun says. Instead of dealing with purchasing managers, he wants the company to do more of its business with chief financial officers and marketing

For example, Moore has helped SNCF, the French rail-way group, design a new reservations system with a magnet ic-strip ticket. In addition to being a travel voucher, each ticket provides real-time information on a passenger's move-ments. SNCF uses this data to adjust routes, trains, seats and fares. On the customer-comminications side, Moore has won contract from a US notel chain to produce a colour brochure, with a common theme but a different version for each

Mr Braun aims to exis revenues by 10 per cent a year for the next five years, with more than half the growth coming from alliances and acquisitions which broader Moore's norizons.

Such expansion is typified by Moore's recent purchase of \$20 per cent stake in Jenkurm Corporation, an Ottawa-Based specialist in electronic forms technology

Earlier this mouth, Moore

formed an alliance with Data. max of Orlando, Florida, to develop a thermal bar-code printer for liner-less labels. Another sign of the new Moore is a \$10n two-way deal with EDS, the US computer services and mana sultancy. EDS is designing. and will later operate. Moore's internal data-processing system. For its part, Meere will manage EDS's own printing and other information handing requirements.

in he risk, however, is that some products and services may be ahead of their time. One Moore executive says that 'a lot of customers know they want it, but they're not certain how they're going to use it. But people no longer hang such epithets as "stodgy" or "venerable" on Moore these days.

The transformation is set to advance further. Moore plans to raise \$400m to \$500m in debt, lifting its debt-to-equity ratio from an ultra-conservative 6 per cent to about 25 per

It is preparing a public offer-ing of shares in Toppan Moore, the big Japanese forms company which Moore owns jointly with Toppan Printing. Mr Braun took another step this month which would have been unthinkable under the old guard. He hired Moore's first vice-president of communications to help get the message across that a leopard can

US investors use foreign voting rights

By Norma Cohen

US institutional shareholders are increasingly exercising their voting rights at non-US companies in which they have a stake, according to a new

Washington-based Investor Responsibility Research Center (IRRC), an organisation which monitors shareholder activity, said US institutional investors foreign companies in which they own a stake, compared with just 24 per cent in 1991.

The survey was conducted among the 40 or 50 institutional investors who have more than \$250bn under man- at non-domestic companies.

Ms Corinna Arnold, deputy director in charge of Global Shareholder Services at IRRC, said she believed the client base was fairly representative of US institutional investors. although IRRC clients are likely to be more concerned with corporate governance matters than other share-

Department of Labor confirmed that US Brisa funds corporate pension schemes covered by US pensions legis-lation - have the same fidu-

unless the costs of voting are prohibitive, as at US companies in which they have

US public sector pension schemes, among the largest such schemes, are not covered by the Krisa legislation but have taken their voting responalbilities seriously. Ms Maryellen Andersen,

Connecticut Retirement and Trust Funds, said that in 1993, the scheme voted at 1,395 of the 2,300 foreign companies in which it holds a stake. ciary duty to vote on matters

Ms Andersen said the

in most markets because of the willingness of its custodian banks to help with the paper-

"We found the most effective way to ensure voting was to put pressure on the custodian." Ms Andersen said US pen-

sion schemes hold a relatively small stake in foreign markets, director of investor and corpo- but they are making an impact

"They want our money. We have made it clear that we are interested in investing but we are also interested in voting. We don't really want to do one without the other." she said.

Santiago seeks regional finance role

Chile has its advantages but obstacles remain, writes Stephen Fidler

hile boasts Latin America's most exchange rate to uncompetitive levels. advanced capital market. The country's high savings rate, the development of its private pension funds and more than a decade of uninterrupted economic growth have combined to bring this about. Nowhere else in Latin America can companies raise 10- or even 20-year

The country's leading financial institu-tions and its two stock exchanges want to use this head start over their neighbours to develop a financial centre servicing the rest of South America. To promote the idea, they formed a capital markets institute six months ago.

"We have been advocating the idea of transforming Santiago into a financial centre," said Mr Hernan Somerville, the head of Chile's banking association. But for the likes of Mr Somerville, the

government has been moving too slowly on the issue and at least two important obstacles are blocking the idea. The first is the rule which demands that foreign investments remain in the country

for at least a year, inhibiting financial market trading. The second is the country's capital gains tax. Government officials say lifting the one-

year rule would not be difficult. The finance minister, Mr Eduardo Aninat, said this month in London that "at an opportune moment, we could consider amending it by law ... but that doesn't mean in the short term". For now, the government is concerned not to encourage inflows of volatile hot money which make managing money supply difficult and raise the

Mr Aninat said, however, that "the capital gains tax is more complex", although the issue was under study. The government is worried that relaxing the tax might lead to a redefinition of a lot of income as capital gains in order to evade

Mr Somerville says banks are being hindered from developing a regional role because they cannot lend money outside the country, except for trade. "We should also be able to lend money outside Chile to Chilean companies," many of which are expanding into other countries in the egion, he says,

From the government's point of view, developing the financial services sector would - like increasing manufacturing capacity - be one way of developing an economy which, in spite of its success, is still over-dependent on production of raw

Still, while some financial experts believe Santiago has advantages in certain areas, for example in custodial services, there is widespread scepticism that turn-ing the city into financial centre is a serious project.

Chile may have the expertise, and a deregulated telephone system that allows for relatively cheap communication, but it is geographically remote and the economy small. Sceptics wonder whether there is a critical mass of local business to encourage the establishment of a regional financial centre.

Mr Somerville argues: "Look at Luxembourg", adding that "we offer political sta-

billity, economic stability, a broad consensus over policy - and we have a reputation for integrity."

Mr Pablo Yrarrazavil , chairman of the Santiago Stock Exchange, points out that for an "emerging market" the country already has a highly-developed financial

With a gross domestic product of about \$46bn, Chile's stock market capitalisation is \$60bn, banking assets total \$35bn, the sets of pension funds are approaching \$20bn and insurance company assets \$5bn.

Tonetheless, Mr Yrarrazavil acknowledges that he has a problem - currently most Chilean companies prefer to raise share capital in New York and not on his exchange. Chilean financial business is migrating to the US, where investors are willing to pay more than in the Chilean market, partly because of the one-year rule.

But Chilean financiers are not only wor-

ried about New York. They are also concerned not so much about the development of finance in São Paulo if the Brazilian anti-inflation plan succeeds, but that Argentina is making big advances in financial sophistication.

Promoting Santiago as a financial centre has, for some of its proponents, a defensive motive and a desire to avoid a drainof Chilean talent and Chilean financial companies to Argentina.

"Chileans love Buenos Aires. Many would like to live there, and if it developed as a financial centre, they would move," said one financier.

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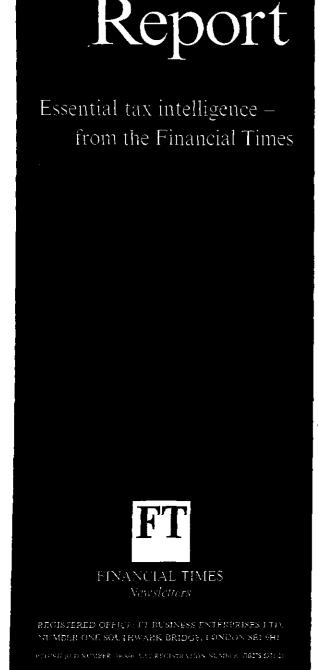
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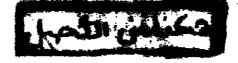
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TARGET THE BEST

The second secon

Strong Thanksgiving retail sales hit Treasuries Reset feature on Strong By Llea Branston in New York Country reignited traders' feats Rande received dealines assets.

By Lisa Bransten in New York and Conner Middelmann and Martin Brice in London

US Treasury prices fell yesterday morning amid reports of strong retail sales over the Thanksgiving weekend - traditionally one of the best of the year for retailers and the early morning release of figures showing growth in home sales for October.

By midday, the benchmark 30-year government bond was down 1 at 94%, yielding 7.979 per cent. At the short end of the market, the two-year note was down 🖟 at 99%, yielding 7.301 per cent

Early in the morning, the yield on the long bond briefly hit 8 per cent before the price sed slightly, pushing the yield back below that by mid-

from shopping malls across the sales in the near future.

that recent interest rate the maturity spectrum in the increases by the Federal Reserve might not be enough to cool the economy. If so, the Fed might have to raise interest rates again in the near term, thus undermining bond

GOVERNMENT BONDS

Adding to such concerns were figures from the National Association of Realtors showing sales of existing singlefamily homes increased by 0.5 per cent from September to

Although the head of the real estate association called the increase "a vote of confidence in the economy", he added that he expected rising interest rates to dampen home

wake of gains in most stock indices. For most of this year, the stock market has taken its cues from increases and decreases in the bond market, but last week's plunge in share prices created optimism among bond market players that investors would move assets from stocks to bonds. Yesterday's rising stock prices, however, slowed the development of any such trend.

■ UK gilts put in another strong performance, buoyed by hopes for a market-friendly **Budget** containing significant and public-sector borrowing, and ebbing political worries.

Gilt market participants expect chancellor Mr Kenneth Clarke's Budget speech today to contain good news on all

ing a cut in spending, a reduction in the [public sector borrowing requirement) a cut in the inflation forecast and an upward revision of the GDP forecast," said Mr Nigel Richardson, head of bond research at Yamaichi International.

Dealers reported last-minute buying by institutional investors keen to catch any post-Budget rally. However some warned that good news may aiready be discounted and a package in line with expectations could prompt only a muted reaction or even some profit-taking.

"Clarke will have to deliver something pretty spectacular in order for the market to go higher," said a gilt dealer at a large London house, pointing to supply as a factor that could

The Bank of England yester-

up for a good Budget, includ- in tranches of existing gilts; moreover, on Wednesday it is now felt the budget was likely due to announce the terms of next week's auction.

The December long gilt future on Liffe rose by about %

■ German bonds fell in thin volume. The December bund futures contract on Liffe ended at 91.31, down 0.17 on the day. One analyst said the next data that might move the market would be the US non-farm payroll figures due at the end of

■ The market in Italian government bonds outperformed other European markets yesterday as the yield on the 10-year benchmark bond fell 13 basis points to 11.93 per cent. Analysts said the rise in the price of bonds was due to lack

of negative political influences,

NEW INTERNATIONAL BOND ISSUES

said it suggested that investors

The yield on the 10-year Norwegian benchmark bond rose from 8.4 to 8.416 per cent. Mr Graham McDevitt at Paribas Capital Markets said investors were now focusing on the referendum on membership of the European Union.

He said: "A 'yes' would come as a big surprise as the 'no' camp has consistently been in front." He added that if there were a majority in favour of EU membership, the currency would probably rise and bond yields fall

However, opposition parties had said they would try to block membership if there were no decisive result, so a small majority in favour would probably lead to a parliamen-tary struggle, he said.

the other in mid-1997.

By Richard Lapper

NM Rothschild & Sons, the UK merchant bank, is to arrange an innovative five-year loan facility for John Lewis, the UK retailing group.

The structure - known as a "lexible participation facility.". replaces an existing £150m loan signed in 1990 and gives both lenders and the borrower greater flexibility than a standard revolving credit.

It allows the borrower to lock into market-priced finance at various times during the life of the loan through a so-called "reset mechanism" - a kind of auction which is managed by Rothschild, in its role as agent.

The loan is split into a core facility of £25m - priced at 25 basis points over Libor with a commitment fee of 10 basis points - and two tranches of 245m. The terms of one of these tranches can be reset in mid-1996 and mid-1998; those of

Banks are being asked to

Commitments for the core

POCIAL PROPERTY.

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ithe red

facility and both £45m tranches will be secured when the deal is signed in the next few weeks but banks can bid to increase their shares of the two 145m allocated on the basis of pric If banks are prepared to hid. more competitively to increase their stakes in the deal, the borrower can obtain a reduction in its cost of funds. It

At the same time, however, the banks are obliged to provide finance at the maximum rate of 25 basis points over

the facility if bids are received

for a greater aggregate

Mr Paul Tuckwell, director of NM Rothschild, said: "The facility provides borrowers with certainty and flexibility of capped cost and banks with the opportunity to actively manage

Solid European demand for Exim Bank of Japan issue

Exim Bank of Japan yesterday launched a \$300m offering of 10-year bonds priced to yield 30 basis points over US Trea-

Lead manager Bank of Tokyo said that more than 70 per cent of demand came from European investors - UK investment funds and banks, Swiss pension funds, German and French insurance companies, and Swiss and Belgium

The remaining bonds were sold to central banks and pri-

year notes, offering 30 basis points over three-month Libor. The launch coincided with the announcement of a 54 per cent increase in the bank's

after-tax profits to A\$102.6m for the year to end-September and a fall in the charge for bad and doubtful debts to A\$8.2m from A\$45.3m.

INTERNATIONAL BONDS

UBS, which led the offering, said the bonds were sold to UK banks, UK investment funds

weeks and to favour the float-

ing-rate dollar sector. There is strong demand for floating-rate dollar notes, dealers said, and this offering represented the tightest pricing

yet of the recent issues. Ford Credit Europe launched \$200m issue of three-year fixed-rate bonds priced, priced to yield 40 basis points over US

Lead manager ABN Amro said the offering met firm demand from Swiss and Benelux retail investors, who were attracted by the 8 per cent cou-

TALIAN URE Depta Bank(c) Bance di Roma AUSTRALIAN DOLLARS 99.9675 Sep.2017 0.23 FoTH UCI 1, Class Aid111

flattened recently and investors can now get a yield at the short-end close to that on lon-

However, traders said the bonds were priced around three to five basis points tighter than similar outstanding three-year paper and they struggled as a consequence. Market sources said that the proceeds were swapped into

FT-ACTUARIES FIXED INTEREST INDICES

179.98

floating-rate sterling.

Up to 5 years (24)

5-15 years (22) Over 15 years (8)

The European Investment Bank is expected to launch a two-tranche offering of dollardenominated bonds within the next few days, dealers said. The issue is said to be of a \$300m tranche of five-year bonds and a \$300m tranche of

9.83 5 yrs 11.49 15 yrs 10.87 20 yrs 13.47 kred.†

10-year bonds.

London SE expects more emerging market GDRs

Nov 28 Nov 25 Yr. ago. Nov 28 Nov 25 Yr. ago. Nov 28 Nov 25 Yr. ago.

6.25

By Richard Lapper

The London Stock Exchange expects more companies from the emerging markets to list global depositary receipts in London – despite a recent luli in activity.

Five companies - four from india and one from Argentina - have listed GDRs on the London exchange since the rules were modified in August. The most recent listing – of India's Bajaj Auto – was in early

capital markets at the exchange, said a number of

6.00 : 8.37

other issues were "in progress and would become public in the near future."

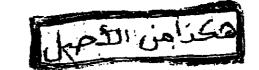
Potential new issues could come from the Pacific Rim countries, Africa, especially South Africa, Latin America, Russia, China and the Indian

The GDR - like the American Depositary Receipt, a proxy for a company's underlying share - allows companies to avoid potential problems linked to settlement, foreign exchange and restrictions on Mr Robert Murdin, head of foreign ownership.

than a full listing of shares.

vate banks in Asia and the Middle East, it said. In the floating-rate sector, St George Bank, a New South Wales-based regional bank, such as Bank of South Austra-	pon and the pricing spread. Institutional investors were also attracted by the relatively high yield offered by the shortdated bond, ABN Amro said. sonr-end close to that on ionger-dated maturities," an official said. Ford Credit Europe came to the three-year dollar sector in September with an issue offering a coupon of 6%
launched a \$250m issue of five- lia and Challenge Bank, to tap	"The dollar yield curve has per cent.
WORLD BOND PRICES BENCHMARK GOVERNMENT BONDS	Italy
Red Day's Week Month Coupon Date Price change Yiekt ago ago	EL NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE) Lira 200m 100ths of 100%
Australia 9,000 09/04 91,8400 +0,400 10,34 10,69 10,48 Belgium 7,750 10/04 96,8800 +0,210 8,22 8,40 8,48 Carracta 6,500 05/04 83,5000 -0,300 9,12 9,15 9,06 Denmark 7,000 12/04 89,5500 +0,180 8,60 8,82 8,96 France 8TAN 8,000 05/38 102,0800 +0,060 7,31 7,47 7,55	Open Sett price Change High Low Est. vol. Open Int. Dec 100,70 101,83 +0.92 101,90 100,62 41067 42808 Mar 99,95 100,67 +0.92 100,90 99,95 3966 16113 Jun 99,67 +0.92 0 0 0
OAT 6.750 10/04 92.1200 +0.150 7.93 8.19 8.27 Germany Bund 7.500 11/04 101.5100 +0.200 7.28 7.56 7.58	E ITALIAN GOYT, BOND (STIP) FUTURES OPTIONS (LEFE) Liez200m 100ths of 100% Strike PUTS
haly 8.500 08/04 61,9400 +0.320 11.861 11.86 11.58 Japan No 119 4.800 08/99 103.3050 -0.210 3.95 4.06 4.12 Japan No 184 4.100 12/03 98.2490 -0.460 4.69 4.74 4.74	Price Mer Jun Mer Jun 10050 2.14 1.00 1.97 1.83
Netherlands	10100 1.92 0.81 2.25 2.14 10150 1.60 0.65 2.43 2.48 Est. vol. total, Cuita 846 Puta 509. Previous day's open int., Cuita 9826 Puta 7735 Spain E. NOTIONAL SPANISH BOND PUTURES (MEFF)
7 Gross firebusing withholding law at 12.5 per cent payable by normalidadah Piloco: US, UK in 2016, othera in decimal US INTEREST RATES	Open Sett price Change High Low Est. vol. Open int.
Lancidize Treeaury SBs. and Bood Yields Treeaury SBs. and Bood Yields	Dec 87.78 87.79 -0.08 87.97 87.68 29,113 78,107 Mer 87.00 87.06 -0.06 87.00 86.96 1,180 7,253
Fed.funds	M NOTIONAL UK GELT FUTURES (LIFFE) ESO,000 32nds of 100%
BOND FUTURES AND OPTIONS France	Open Sett price Change High Low Est. vol Open int. Dec 103-02 103-16 +0-11 103-20 103-00 57122 88671 Mar 102-12 102-27 +0-12 102-30 102-11 30173 37728 Jun 101-27 +0-12 0 0
IN NOTIONAL FRENCH BOND FUTURES (MAYIF) Oper Sett price Change High Low Est. vol. Open int.	B LONG GILT PUTURES OPTIONS (LIFFE) 250,000 64ths of 100% Strike
Dec 112.60 112.74 +0.22 113.00 112.46 143.634 112.557 Mar 111.70 111.94 +0.24 112.20 111.66 11,471 39,907 Jun 110.80 111.04 +0.24 111.28 110.80 174 3,236	Price Meer Jun Meer Jun 102 2-15 2-47 1-25 2-57 103 1-43 2-18 1-53 3-26 194 1-13 1-57 2-23 4-03 Est. vol. total, Calis. 1750 Puits 5468. Previous diey's open int., Calis. 10162 Puits 11151
II LONG TERM FRENCH BOND OPTIONS (MATIF)	The same same transfer and same transfer and
Strice —— CALLS —— PUTS —— PUTS —— PUTS —— Jan Mar Jun	Ecu
110 - 2.84 - 0.24 0.70 - 111 - 1.94 2.08 0.48 1.03 2.00 112 0.82 1.38 - 0.87 1.41 -	III ECU BOND FUTURES (MATIF) Open Sett price Change High Low Est. vol. Open int.
118 0.40 0.89 - 1.48 1.94 - 114 0.15 0.56 2.57 -	Dec 82.10 82.22 +0.12 82.38 82.06 3,664 8,440
Est. vol. total, Calis 13,804 Puts 20,169 . Previous day's open int., Calis 116,639 Puts 98,690 .	US
■ NOTIONAL GERMAN BUND FUTURES (LETTE) DM250,000 100ths of 100%	SUS THEASURY BOND FUTURES (CBT) \$100,000 S2nds of 100% Open Latest Change High Low Est, vol. Open Int.
Open Setz price Change High Low Est. vol Open list. Dec 81.41 81.26 -0.22 91.85 81.20 1239983 137145 Mar 90.68 90.55 -0.17 90.90 90.50 20247 73813 Jun 80.09 89.80 -0.17 90.08 90.09 66 2	Dec 99-00 98-08 -0-23 98-00 98-08 101,501 323,087 Mar 98-11 97-12 -0-23 97-21 97-21 14,687 105,935 Jun 97-16 97-06 -0-13 97-16 97-06 2,000 12,565
all BUND FUTURES OPTIONS (LIFTE) DM250,000 points of 100%	Japan .
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9100 0.43 0.75 0.94 1.06 0.98 1.20 1.39 2.26 9180 0.26 0.55 0.73 0.87 1.27 1.50 1.88 2.57 Est. vol. total, Calle 7590 Puta 10522. Previous day's open int., Calle 128191 Puta 81207	Open Close Change High Low Est. vol Open Int. Dec 108.50 108.57 108.50 614 0 Mar 107.83 107.83 107.82 2161 0 * LIFFE contracts traded on APT. All Open interest figs. are for previous day.
UK GILTS PRICES	
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104pc 1985	8.50 80 +1 1051 845 45 45 1051 280 3.54 1075 +1 1132 1061 8.5 1005 +2 1005 42 1005 77 2224 10 (72.5) 3.29 3.72 1074 +1 1754 1051 1051 1051 1051 1051 1051 1051 10
15 up: 198811 13.75 7.11 1107 1212 1107 1222 1107 1402 200811 118	8.75 1225 +1 1632 1164 2007 2007 1331 345 126 1007 +1 184 1075 8.37 954 +2 1241 907 2007 1351 1351 2361 1555 +1 1821 1451 1551
	8.37 854 +3 11215 907 21207 90
Convention 10pc 1996 9.59 7.58 104 3 112 7 103 8 89 200 - 411	24 86 + 1114 911 292 11 748 35 35 36 180 1854 + 1 183 1494 877 1167 + 1 186 1124 292 11 748 36 36 36 36 1894 + 1 175 164 877 1167 + 1 186 1124 292 12 748 36 36 36 36 1894 + 1 175 164 129 877 1167 + 1 186 1124 292 18 36 36 36 36 36 36 36 36 36 36 36 36 36
Tress 12-pc 1997##	8.77 115% +± 155, 1124, 250r 15
Tress 124-pc 1997## 11.58 7.76 110.6 -\$\frac{1}{2} \text{110.5} \\ \text{ 110.5} \\ \text{ 125.6} \\ 2007 #	8.37 9662 +8 1152 9132 43pc 5000 (138.1) 1.71 3.85 1104 +3 1282 1055 Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%, (b) Proper to parameters show PPP base for independent of the parameters of the parameters and the parameters of the
Trees 134-pt 1997## 11.98 7.76 110.6 -2 121.6 110.6 110.8 124.0 2007## 8.45 124.6 100.8 124.0 124.6 12	8.37 9662 +9 1162 913 4 are 3011(135.1) 3.71 3.85 1104 43 1253 1052 Prospective resi redemption rate on projected infesion of (1) 10% and (2) 5%. (b) Figures it in parentheses show RPI base for indexing (e 8 months prior to issue) and have been adjusted to reflect rebesing of RPI to 100 in Fabruary 1967. Conversion factor 3.945, RPI for March 1994; 142.5 and for October 1994; 145.2.
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COMPANY NEWS: UK

Full contribution from former Courtaulds business swells profits

Sidlaw on target with 33% rise

By Peter Pearse

Sidlaw Group yesterday revealed a 33 per cent rise in pre-tax profits, boosted by a full 12-month contribution from the flexible packaging businesses late summer 1993.

The profits for the year to September 30 were in line with estimates at the time of its £24m rights issue in October. The Courtaulds acquisition

cost £78m, partially financed by a £55m cash call; the recent rights - from which the Scotland-based packaging, oil services and textiles company will have access to about £32m - was to fund a two-year reorganisation and capital expenditure programme for the pack-

Group turnover swelled to £289.4m (£172.9m). Operating profits grew 50 per cent to £18.7m (£12.5m), but sharply increased interest charges of £4.18m (£1.54m) led to a more modest pre-tax rise to £14.7m (£11.1m).

Mr lan Bodie, finance director, said that accounting rules stipulated the inclusion of discounted bills in the balance sheet. This meant gearing



Digby Morrow: shortages in packaging raw materials

climbed to 82 (79) per cent; otherwise it would have fallen to 64 (73) per cent. Pro forma post-rights gearing will be

about 30 per cent. The packaging side made operating profits of £11.1m (£4.72m) on turnover of £161.2m (£54.1m).

Raw material prices for the division continue to rise with basic resin up 70 per cent over 40 per cent. Mr Digby Morrow,

chief executive, said shortages was unsure if price peaks had yet been reached.

Profits from oil services fell to £6.93m (£7.25m) on turnover of £102.7m (£94.5m) after increased losses of £472,000 (£342,000) from the Supplylink joint venture.

Textiles lifted profits to £713,000 (£564,000), after the recovery of a bad debt previ-

division remains up for sale. Earnings edged ahead to 20.5p (20.3p) per share and the final dividend of 6.5p lifts the total to 11p (10.5p).

While the oil services side is a good business giving steady growth - albeit at the mercy of the oil price - the packaging side is a much riskier proposition with potentially greater rewards. Analysts now believe too much was spent on the Courtaulds businesses and their reorganisation, but that is history and there is no doubt the packaging side had to expand or wither. The capital expenditure will not show benefits for about 18 months and the 10 per cent margin target for the division by 1997 is ambitious. If achieved, how-ever, that would give earnings of about 30p, giving the shares considerable room for improvement. The jury is out on whether Sidlaw can follow its script, but more are optimistic than not. Flat profits of £16m (after an interest fall) are forecast for earnings of about 18p and a p/e of 11, well below the

is 1.65p (1.6p). The shares closed down 1p at 92p.

impact of the three cash acquisitions made in the past 12 months, coupled with the seasonally high stock and debtor levels, had increased gearing in the short term.

31% growth to £1.73m

Despite the continuing difficult trading environment", JLI Group, the food processing and snacks company, reported pre-tax profits up by 31 per cent from £1.32m to £1.73m for the six months to end-September.

The advance was achieved on turnover of £54.3m (£52.5m), including £1.6m from acquisitions, with each of the three divisions making a "solid contribution", according to Mr Yoav Gottesman, chairman.

Within food services, which achieved operating profits of £931,000 (£877,000) on turn-over of £20.5m (£19.8m), Jack L Israel had further strengthened its position as a supplier to the catering industry, the chairman said.

The reorganisation in the snacks division had also been successful, he said, with operating profits up from £310,000 to £784,000 on turnover down from £15m to £18.9m.

Kernels Snack Products, the nut processing business acquired in April, had met expectations and was now fully integrated.

The food ingredients side, helped by contributions from Turban and Frozen Herbs, surned in £887,000 (£660,000) on turnover up £2m to £19.8m. Earnings emerged at 2.8p (2.1p) and the interim dividend

Mr Gottesman said the

Analysts are forecasting profits in the region of £5m for

JLI shows Utd Carriers warns again as too little is now too much

The state of the s

By David Wighton

Events at United Carriers took a surreal turn yesterday as the parcel delivery group issued its second profit warning since going public in February. It blamed the first setback on too few parcels; the second on too

Yesterday's warning was accompanied by a boardroom shake-up which sees Mr Michael Howe resign as group managing director and Mr Allan Binks step down as chairman while remaining chief execu-

Mr Binks said: "We have made a right mess of our return to the stock market and none of us can completely absolve ourselves."

The company warned that profits in the second half would be below the first half's £1.2m. The shares fell 15p to 79p, half the flotation price of 153p, as analysts cut full United Couriers Share price (pence).

Source: FT Graphite year forecasts from £3.5m to

110-

In May, when forecasts were £4.8m, the company warned it had suffered a sharp fall in parcel volumes in April. In response it started an aggressive selling campaign. the space of a few days a the un and we were unable to introduce new resources quickly enough," said Mr

Binks. Operating costs rose sharply as the company was forced to hire new vehicles and take on temporary labour to clear the

backlog. Compensation has yet to be agreed for Mr Howe, who has a two year rolling contract on a salary of £95,000. He will continue to manage the parcel business until his unnamed replacement arrives in Janu-

Mr Binks said his own £140,000 salary would not be cut in line with his reduced responsibilities. The new chairman is Mr Doublas Rogers,

The company said it would pay a final dividend of 3.3p in the absence of unforeseen circumstances". The flotation was sponsored by Lazard Brothers

Rodime losses deepen while US courts hold key to future

end of September volumes shot

Scottish Correspondent

Rodime, the Scottish disk drive pioneer whose business is the licensing of its 3.5 inch disk drive technology, has reported a sharp drop in revenue and a big increase in losses, while its future is heavily dependent on lawsuits awaiting judgment in the US.

from \$2.14m to \$7.02m (£4.28m) in the year to September 30, because of administrative costs associated with lawsuits. Rodime has increased its revolving credit with Bank of in its principal disk drive The shares were unchanged

at 11p yesterday, having peaked at 51%p earlier this vear. Operating income amounted to \$333,000, against \$4.18m last year. Running royalty income fell

because no new licence agree-ments were reached, and all existing agreements are with east Asian manufacturers whose business was reduced by intense US competition. Rodime suffered a setback in

be materially reduced. April when a Minnesota judge

patent in a suit with Quantum, the US disk drive maker.

Rodime now hopes to hear

within three to six months the

outcome of its appeal, heard earlier this month by the court of appeals in Washington DC. If the appeal succeeds it will resume its action against Quantum. If Rodime loses, the case against Quantum would fail and the scope of infringe-ment by other disk drive makers, including Seagate, would

Losses came out at 5 cents

Rooney denies Spring Ram stake sale

By Paul Taylor

Mr Bill Rooney, the former chairman of Spring Ram, yesterday denied reports that he was looking for a buyer for his 13.5 per cent stake in the kitchen, bathroom and furni-

Mr Rooney, who unveiled a £6.6m deal last week to take control of Atreus, the bathroom goods supplier, said he had no plans to sell the Spring Ram stake. However he acknowledged that he would sell, if offered the right price.

He said he had received sev-eral inquiries, "but no serious approaches", following newspaper reports that he was seeking a buyer for his shares. At current prices, his stake in Spring Ram is worth about £26m. The shares were unchanged yester-

Mr Rooney was forced off the Spring Ram board by institutional investors 14 months ago following revelations of false accounting at its Balterley Bathrooms subsidiary and three profit warnings in eight months. Before this, the group had enjoyed 13 years of rapid growth.

Spring Ram announced on Friday that it was continuing its recent expansion with the £4.6m cash acquisition of Pland, a maker of stainless

For the year to September 30 Pland reported pre-tax profits of £676,000 (£570,000) on turnover of £10.8m (£10.5m). Net assets at the end of the period Were £4.7m.

Mr Roger Regan, who took over as Spring Ram chairman

tion is further evidence of Spring Ram taking opportunities to make strategic bolt-on In June, Spring Ram

acquired a furniture company and in August announced a 25m investment to start a cabinets business. For the six months to July 2 it reported a pre-tax loss of £1.1m (£34.4m) after an exceptional charge of \$2.5m for the closure of its Artisan Tile factory.

\$20.8m glass buy for CRH

By John Murray Brown in Dublin

CRH, the building materials group, has expanded its interests in the US through the acquisition of Tempglass Group, a glass fabricator, for \$20.8m (£12.6m) cash.

The acquisition through Oldcastle, CRH's US holding company, will allow CRH to expand its market and product range, making it the largest independent glass fabricator in North America

It will provide increased purchasing leverage with glass suppliers, and a wider product range for the North American markets, where Oldcastle already has 14 plants in 12 states.

Tempglass operates four plants in Ohio, Texas, Florida and California, producing tempered, insulated and laminated glass, mostly for the non-residential construction sector. Sales in 1993 were \$54m and was expected to break-even

Tempglass, originally part of RTZ, was bought out by its management. On the death of the largest partner earlier this year, CRH bid for the retained as managers.

The purchase brings CRH's total global acquisitions in 1994 to l£120m £118m).

Hadleigh £324,000 in the red

Pre-tax losses of £324,000 were announced by Hadleigh Indus-tries Group, the USM-quoted storage tank and trailer manufacturer, for the half year to September 30. Last time there were profits of £332,000.

The result included a loss of £490,000 on the disposal of Lynton Commercial Units in September and an operating loss from that company of £325,000.
Turnover improved to £15.7m
(£14.7m), with £2m (£2.66m) from discontinued operations.

Losses per share emerged at 3p (3.1p earnings). The interim dividend is doubled to 1p.

Shield Diagnostics

Shield Diagnostics Group has reported its first pre-tax profit since coming to the market in June last year. Helped by the acquisition of Porton Cambridge, profits for this in-vitro diagnostics company were £19,500. In the period June to end-September 1993 losses were £160,700 and £28,200 for the six months to March 31.

Turnover in the period under review was \$2.25m for operat-ing losses of \$41,500. Porton

Tek +46 8 791 2345

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NEWS DIGEST £804,100 and operating profits of £189,700. Net interest receivable was £62,700. Earnings per

Edinburgh Income

share were 0.1p.

Edinburgh Income Trust, the split capital investment trust formerly known as EFM Income Trust, reported net asset value per ordinary share of 41.2p at October 31 against 50.7p a year earlier. The net asset value per zero

dividend preference share rose from 48.8p to 51.7p.

Net revenue for the six months fell to £306,000 (£404,000) for earnings of 2p (2.7p). The second quarterly dividend is held at 1p, for 2p so far, and the directors expect to pay an unchanged 4p total.

TR Far East

TR Far East Income Trust raised net asset value per share by 15 per cent from 157.5p to 181.8p in the year ended August 31. Fully diluted figures grew 14 per cent from

143.8p to 169.9p.

The company has applied to have its shares listed on the New Zealand stock market. After-tax revenue rose to \$2.66m (\$2.27m) and earnings per share were 5.67p (4.88p). A fourth interim of 1.4p makes a total of 5.5p (5p) and dividends

contributed turnover of totalling not less than 5.8p are

forecast this year.

Cantab Pharmac

biopharmaceutical company, said it had met a significant milestone in the three months to September 30 with the opening of a pilot manufacturing facility on budget at £1.6m.
In the nine months to end-September pre-tax losses were £2.71m (£2m) on turnover of £1.11m (£837,000). Losses per

Cantab Pharmaceuticals, the

share were 27p (33p).

OEM losses OEM, the property company. incurred pre-tax losses of £232,000 in the year to June 30, compared with profits of £263,000, which included

£879,000 from the office equipment business sold last year. Turnover was £744,000. against £3.27m, which included £1.69m from the discontinued activities. Losses per share were 3.8p (1.5p).

Independent Parts

Liz Vaughan in London Tel: +44 71 873 3472

Fax: +44 71 873 3428

Independent Parts Group, the vehicle components company which came to the market in April, made profits of £1.04m pre-tax for the five months to September 30 on turnover of £7.1m. Earnings per share were

Nestlé S. A.

Joint venture with Goplana S.A. (Poland)

Advised by

SAMUEL MONTAGU

Odfjell Drilling & Consulting Company A/S

US\$55 million Disposal of oilfield rental tool assets to

Weatherford International Inc.

Odfjell advised by

SAMUEL MONTAGU

EniChem Synthesis SpA

£60 million

Disposal of Rubber and Plastic Additives businesses to Great Lakes Chemical Corporation

Enichem advised by

SAMUEL MONTAGU

ITALY

Rizla Group

Management buy-out

Term Loan and Working Capital Facilities

Co-underwritten by

SAMUEL MONTAGU

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FT Surveys

Green's Heron offer clears its first hurdle

Mr Steven Green's HNV Acquisition yesterday cleared the first hurdle to gaining control of Heron International, Mr Gerald Ronson's property group, by getting substantial support from ordinary shareholders for his offer.

Acceptances were received in respect of 54 per cent of ordinary shares, while a further 38 per cent are held by Heron's banks, which are understood to have agreed to support the

The Annual Meeting was beld yesterday, and all the resolutions were passed by more than 95 per cent of voters.

pany's articles of association, which remove a number of nary shares. standard shareholder rights.

However, the key to Mr Green's success remains in the support of the senior and junior bondholders, who will meet tomorrow Swiss Bank Corporation,

which is advising HNVA, said that "voting instructions indicate substantial support for these bondholder resolutions". A sufficient number of votes

have been received to ensure that there will be a quorum at the bondholders' meetings. Heron's investors are being

offered a cash value that represents 45 per cent of the nominal value of senior bonds, 6 per

bonds, and £7.50 per 1,000 ordi-

Parties who looked at Heron when it was auctioned earlier this year, have suggested that HNVA was offering a full price for the company.

Mr Gary Klesch, a dissident bondholder, said last week that there was another interested party who might present a package which would offer a lower risk means of participating in the future recovery of

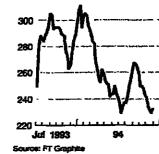
No buyer has emerged, and Heron is adamant that the only alternative to HNVA is liquida. tion, which would bring in less than Mr Green's cash offer, while involving far longer

Field Group advances to £7.26m at halfway stage

Field Group, the carton maker which went public in July last year, increased pre-tax profits from £2.04m to £7.26m in the 26 weeks to October 2. Compared with the pro-

forma figure for the previous half year, which assumes that flotation took place at the beginning of that period rather than in July, pre-tax profits rose by 7 per cent from £6.79m. In a tough market environment of rising raw materials costs and fierce competition in the food and household sector. total sales nudged up 3.5 per cent to £77.7m (£75m) and operating profits were up 5 per cent

Operating margins were slightly higher at 9.4 per cent, against 9.3 per cent the previous year. Mr Keith Gilchrist, Field Group



chief executive, said: "We have tried to maintain the margin rather than go for increased

Field, which has a 14 per cent share of the UK market, saw raw materials prices rise difficult sector in which to pass these on to customers was food and household products, where there was tough competition among supermarket retailers.

In the international and branded sector, which constitutes 52 per cent of group sales, Field has recently won two important single supply contracts - a five-year deal with United Distillers, worth some £6m to £7m a year in sales, and another long-term contract with William Grant & Sons Distillers, worth £1.5m a year. Helped by a lower tax charge

of £1.67m (£1.77m) and a reduced interest bill of £48,000 (£176,000), pro forma earnings per share improved by 11 per cent to 9.4p (8.5p). The interim dividend is 2.5p (2.3p). The shares rose 3p to 232p, against

a flotation price of 250p. finance director. The ordinary shares rose 100

Normand helps European Motor to advance 48%

European Motor Holdings, the motor retail and services group, lifted pre-tax profits 48 per cent from £2.64m to £3.89m in the six months to September 30. The shares rose 30 to 1240.

In July the group bought deal worth £11.75m, doubling its size. In two months, the acquisition contributed £1.2m to group operating profits of £3.86m (£2.86m).

Mr Richard Palmer, EMH chief executive, said benefits deriving from the integration of the 20 Normand dealerships including greater manage ment controls, shrinkage in the

workforce, the introduction of a used car business and facility improvements - would come through within 18 months to two years.

£425,000 and a £106,000 provision for a non-core disposal took a large bite from the sale of Norman's Mercedes-Benz dealership in Bristol.

Growth in the pre-Normand dealerships was modest at £2.07m (£1.96m), though Mr Palmer said that August was "a little better than last year" and had started with a robust order intake, which fell off

slightly. He said he was confident of

"the market for the types of cars we sell" - premium and prestige cars - would be moving forward and cited the strong January order book as an indicator of the upturn. Reorganisation costs of Group turnover rose to

£126.2m (£81.5m) with Normand pitching in £40.3m. Operating profits on motor services side slid to £1.08m (£1.38m), partly as a result of some customers of Wikcomatic, the automatic carwash subsidiary, deferring purchases into the next financial

Earnings grew to 6.6p (4.9p) per share and the interim divi-dend is raised from 1.725p to

Schroder invests in Limelight

By Andrew Taylor, Construction Correspondent

Schroder Venture Advisers on hehalf of institutional investors has paid £35m for a 26.9 per cent stake in Limelight, which intends to ek a listing on the London Stock Exchange.

Limelight, which sells and installs fitted kitchens, bathrooms, bedrooms and conservatories, claims to be the largest privatelyowned company in the UK home improvements

profits of £11.2m, operating profits of £13m, and sales of £120m for the year to end-December. Its brand names include Moben and Kitchens Direct (kitchens); Dolphin (bathrooms); Sharps and Limelight (bathrooms); and Portland (con-

servatories). bled its number of showrooms from 185 at the end of last year to more than 300 by the end of this year and to about 500 by the end of 1996. NM Rothschild and Apax Partners have acted

as financial advisers to Limelight, which is The investment by Schroder values the company at £130m. Limelight is forecasting after-tax owned by its management led by Mr Stephen Boler its founder and principal shareholder.

continues as deal terms rejected

Barr feud

By Richard Wolffe

The family feud at Barr & Wallace Arnold Trust flared up yesterday as rebel shareholders rejected a last-ditch agreement with the board of the motor and leisure

The rebels, led by brothers Nicholas and Robert Barr, rejected the deal which had been settled at the end of last week. They also voted down the board's proposals to reform the company's two-tier sbare structure.

The deal would have paved the way for the brothers to join the board and for their uncle, Mr Malcolm Barr, to resign as chairman.

However, the brothers, who speak for more than 50 per at of ordinary voting shares said the board had rejected compromise proposals".

Mr Nicholas Barr said: "Serious concerns were within the company's two main divisions and the company failed to finalise essential elements of Friday's

The board had wanted to enfranchise the non-voting A shares, owned almost entirely by institutional investors, at an extraordinary meeting in

It said that the brothers had made unreasonable demands including the appointment of an additional non-executive director and the payment of their independent adviser bills, thought to amount to

The rebel shareholders, who want to demerge the company's two divisions, have requisitioned a further EGM on Thursday to remove Mr Parker and Mr Brian Small,

yesterday to 543p, while the A shares rose 8p to 266p, before news of the enfranchisement vote was released.

OMH's debt plan in time for AGM

Queens Moat Houses, the hotels group, plans to publish proposals for its £1.3bn debt restructuring in the next three

announce the principal terms of the restructuring before the annual meeting, now set for December 21. The announcement is likely to come days, rather than weeks, before the AGM because of continuing objections by just one of the ore than 70 debt bolders.

This is thought to be Trust Company of the West, a US debt trader which bought its stake in the secondary market. Any restructuring deal needs the approval of all lenders.

Meanwhile, a group of rebel QMH shareholders is proposing a rescue rights issue instead of the restructuring plan which is expected to dilute substantially existing stakes. In a letter, Mr Dennis Woodhams of the OMH Shareholders' Action Group, urges fellow investors to sider his draft proposals and projections to be presented at a meeting soon. A rights issue would be "fairer to shareholders" and satisfy bankers, says Mr Woodhams.

Chelsfield buys Belgravia property

Chelsfield, the property company run by Mr Elliott Bernerd, has formed a joint venture to buy some of central London's most expensive residential property for £48.5m.

The 17 buildings on the Chesham Place Estate, between Eaton Square and Belgrave Square in Belgravia, are being acquired from the executors of the estate of Mr Eric Hopton, who died in Chelsfield is taking a 50 per

venture with Olayan, the Saudi Arabian investment institution, to buy the portfolio. The Chesham Place Estate comprises 121,000 sq ft of residential accommodation, includ-

cent interest in a new joint

ing some of the capital's most exclusive addresses, and 85,000 Chelsfield said that the portfolio had been valued for hanking purposes at £53.5m.

Most of the houses and apartments are let on occupational leases at rents far lower than could be achieved in the open market.

The estate generates an

Chesham Place Retate: 17 buildings being acquired for £48.5m against an estimated £3m which could be achieved if all the property was let at today's

The majority of the leases of vears. expire in September 1995. isfield will then be free to either negotiate new leases with the occupants or to sell the properties.

The estate has been well looked after but there are some development opportunities for

us," commented Mr Bernerd. Chelsfield chairman. "We envisage a gradual realisation of the portfolio over a number

Knight Frank and Rutley. the surveyors, estimated that the break-up value of the estate could be as high as

Mr Bernerd added that long leaseholds offered for sale would have rarity value:

because Belgravia is done nated by the Ondogan and Grosvenor, Estates, which tend to grant shorter leaMARCELI TRANS

The joint venture comm will fund the acquisition through bank borrowings properties til return for a man agement fee linked to the investment performance of the

Salvesen plans distribution growth

By Simon Davies

Christian Salvesen has made no secret of its desire to build itself up as a business services group, getting rid of some of its disparate operations and spending proceeds on distribution and specialist plant hire. Mr Chris Masters, chief exec-

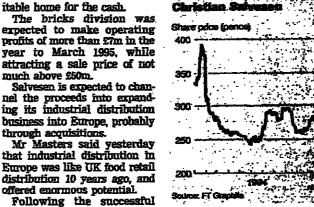
utive, said yesterday: "We are concentrating the business on distribution and Aggreko," and he described the sale of Salvesen Bricks and Vikoma as a sensible move towards cleaning up its corporate struc-

In the short term, however, analysts expect this strategy to reduce earnings per share, as the management will be challenged to find an equally profitable home for the cash. The bricks division was expected to make operating profits of more than £7m in the year to March 1995, while attracting a sale price of not much above £50m.

Salvesen is expected to channel the proceeds into expanding its industrial distribution business into Europe, probably through acquisitions. Mr Masters said yesterday

Europe was like UK food retail distribution 10 years ago, and offered enormous potential. Following the successful integration of Swift, Salvesen is now looking to broaden its distribution interests in both Europe and the US.

in April this year, the com-



pany paid FFr57m (£6.77m) for a French frozen good distribu-

lation last February of difficul-ties in its plant line business combined with tough competi-tion in UK distribution, these results were roughly in line with expectations. Disposals will help fund the group's expanding distribution business, but investors will still want to be persuaded that the Aggreko plant hire business is under control. Problems in Europe and in Light & Sound Design, suggest that further reassurance will be required. On a profits forecast of about £81.5m. Salvesen's shares are trading on a p/e of 12.9, but this discount to the sec-

Kleinwort in French move to win more privatisation work

By Nicholas Denton

Kleinwort Benson, the UK investment bank, is to team up its Paris corporate finance department with French executives and shareholders in an to win more privatisation work.

Kleinwort will put its existing corporate finance team of five professionals into the venture, capitalised at FFr60m (£7.15m), in which it will have a 51 per cent stake.

GEC-Marconi is acquiring

Ferranti International's civil

airport and emergency systems

hasiness from the administra-

tive receivers, terms of the

agreement, which is subject to

The deal comes almost a

year after the joint receivers, Mr John Talbot and Mr Mur-

doch McKillop of Arthur

Andersen, were appointed and

contract, were not disclosed.

By Paul Taylor

GEC acquires last

large Ferranti division

Michael Martin, head of Kleinwort Benson France. The minority shareholding will be placed with French institutions as is customary for French merchant banks. Four insurance companies have already committed themselves to taking stakes. would give it a "French patina" and contribute to

Another key element in Kleinwort's effort to present its venture as a domestic French merchant bank is the appointment of Mr Christian Giacomotto. Kleinwort has lured Mr "We can no longer confine ourselves to the UK," said Mr board, from Groupe Lagar-

marks the disposal of the last

sizeable chunk of the Ferranti

Ferranti Information 8

Response Systems is based in

Wythenshawe, Manchester and

employs about 150 people. It

designs, develops and main-

tains systems for airport infor-

mation, baggage reclaim, flight

information and displays,

flight message switching and

emergency services command

and control.

daire, the diversified conglomerate, where he was chairman of Banque Arill, its investment enking subsidiary. Kleinwort Benson said it hoped the appointment of a "well-networked" Frenchman

greater success in winning French privatisation mandates. In UK privatisations, Kleinwort has established a name as one of the most active houses but France has proved a difficult market and Kleinwort has only acted in subsidiary roles.

Daniel Thwaites ahead at £3.84m Daniel Thwaites, the brewer,

wine merchant and public house and hotels operator; lifted pre-tax prefits from 23.17m to £3.84m in the half year to September 30. Last time there was an

exceptional £565,000 loss on the sale of properties and related plant and the result this time was also helped by reduced interest charges of £1.92m (£2.26m). Turnover improved to

£40.2m (£38m). Earnings per share emerged at 12.9p (9.9p) and the interim dividend is... raised to 1.3p (1.2p). The company's shares trade under Rule 535 (2).

DIVIDENDS ANNOUNCED										
	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year					
Christian Salvanint		Feb 6	3.3		8.1					
Edinburgh incomeint		Jan 12	1		4 -					
European Motorint	2†	Jan 12	1.725	. .	4.25					
Field Groupint	2.5	Jan 20	23	_ :	7.05					
Hadleigh Inda§int	1	Jan 13	0.5		2					
Harris (Philip)int	2.2	Jan 23	2.2	· _	6.85					
Hogg Robinsonint	2.95	Jan 19	2.75	-	7.1					
JU ht	1.65	Feb 1	1.6	<u> </u>	4.8					
Joseph (Leopold)int	3.4	Jan 3	3.25		17.5					
Katamazooint	1	Jan 27	0.85	_	3.3					
Marling Indsint	0.25	Mar 7	0.2		0.77					
Merrydownint	1	Jan 19	1	•	2.5					
Prospect indsfin	0.56	Apr 6	0.525	0.85	0.8					
Sidlawfin	6.5†	Feb 3	6.25	11	10.5					
Thwaites (D)int	1.3‡	Jan 3	1.2		4.7					
TR Far Fast fin	14	lon 9	4.0							

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. * Second quarterly making 2p (same) so fer.

This advertisement is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"), it does not constitute an invitation to the public to subscribe for, or purchase, any securities in British Assets Trust PLC (the "Company"). Application has been made to the London Stock Exchange for the 61,440,000 growth shares of 25p each in the Company ("Growth Shares") and the 76,800,000 warrants of the Company ("Warrants") in issue immediately following the Company's proposed ceptial reorganisation to be admitted to the Official List, it is expected that admission of the Growth Shares and the Warrants will become effective, and that dealings in the Growth Shares and the Warrants will become 1994.

BRITISH ASSETS TRUST PLC

(Incorporated in Scotland under the Companies Acts 1882 to 1890 with registered number 3721)

Proposed

Revision of Investment Objective, Capital Reorganisation. Adoption of New Articles of Association

Amendment to Memorandum of Association sponsored by

S.G. Warburg Securities Ltd.

Details of the proposals referred to above are contained in the document dated 28th November 1994 which has been approved by the London Stock Exchange as listing perticulars relating to British Assets Trust PLC (the "Listing Particulars"). Copies of the Listing Particulars may be obtained during normal business hours on any weekrisy (Saturdays and public holidays excepted) up to and including Wednesday, 30th November 1994 (for collection only) from the Company Announcements Office, London Stock Exchange Tower, Capel Court, Office, London Stock Exchange Tower, Capel Bartholomew Lane, London EC2N 1HP and during normal business hours up to and including Monday, 12th

29th November 1994

British Assets Trust PLC One Charlotte Square Edinburgh EH2 40Z

One Angel Court London EC2R 7HJ

Singer & Friedle 21 New Street

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ASSET MANAGEMENT INVESTMENT COMPANY PLC

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SINGER & FRIEDLANDER LIMITED

of 5,037,000 Ordinary Shares of 25p each at 100p per share payable in full on application trogether with Warrants to subscribe for shares in the proportion of one Warrant for every five shares!

SHARE CAPITAL Ordinary Shares of 25g

based and to be assed fully

Copies of the Listing Particulars dated 28th November, 1994, which have been approved by the London Stock Exchange as required by the Listing Rules made under Section 142 of the Financial Services Act 1996, are available for collection only during normal business hours up to 1st Decamber, 1994 from the Company Announcements Office of the London Stock Exchange, London Stock Exchange Yower, Capel Court entrance, off Bartholomew Lane, London SCN and up to and including 15th Decamber, 1994 from the Company's registered office at 6th Floor, Sume House, 88 High Holborn, London WCIV 6LS and from the following:

29th November, 1994

Brokers to the Placing: stington & Co. Umited The Colston Centre Bristol BS1 4XE

nent is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"). It does not constitute an Invitation to the public to subscribe for, or purchase, any securities in Investors Capital Trust PLC (the "Company"). Application has been made to the London Stock Exchange for the income annuity restricted voting shares of 0.025p each in the Company ("Income Annuity Shares") proposed to be issued and the 247,392,000 units (each comprising one growth share of 25p in the Company (a "Growth Share") and one Income Annuity Shares no to be admitted to the Official List. It is expected that admission of the Income Annuity Shares and the Units will become effective, and that separate dealings in the Growth Shares resulting from the reclassification of the existing ordinary shares of 25p each in the Company, the Income Annuity Shares and the Units will commence, on Friday, 23rd December 1994.

INVESTORS CAPITAL TRUST PLC (Incorporated in Scotland under the Companies Acts 1862 to 1890 with registered number 2185)

Proposed

Revision of Investment Objective, Capitalisation Issue

of 247,392,000 income Annuity Shares, Adoption of New Articles of Association and Issue of Warrants to Growth Shareholders

> sponsored by de Zoete & Bevan Limited

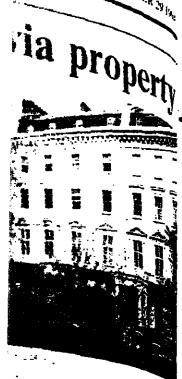
Details of the capitalisation issue and other proposals referred to above relating to Investors Capital Trust PLC are contained in the document dated 28th November 1994 which has been approved by the London Stock Exchange as flating particulars relating to the Company (the "Listing Particulars"). Copies of the Listing Particulars may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including Wednesday, 30th November 1994 (for collection only) from the Company Announcements Office, London Stock Exchange Tower, Capel Court, Off Bartholomew Lane, London EC2N 1993 and strains normal business hours up to and including Monday, 12th Decamber 1994 from: Announcements Critice, Littletin Seven Continued Forms, Copies Court, Off Eartholometer Lane, I 1HP and during normal business hours up to and including Monday, 12th December 1994 from:

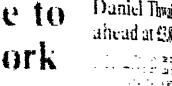
Investors Capital Trust PLC One Charlotte Square Edinburgh EH2 4DZ

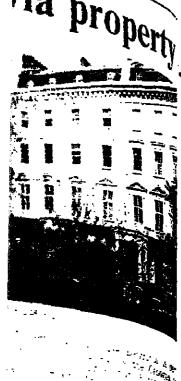
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29th November 1994

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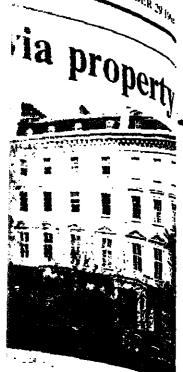
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growth over the period, helped by the performance of the five Hogg Robinson, the travel, transport and financial seracquisitions reported earlier vices group, yesterday reported this year. sharply lower first half pre-tax Turnover grew to £95.1m profits refecting the absence of exceptional gains.

Pre-tax profits in the six months to September 30 fell to

By Paul Taylor

Airtours for £25m last year.

Hogg Robinson

Source: FT Graphite

Correspondent

0.85p to 1p.

By Paul Cheeseright, Midlands

Kalamazoo, the computer

services and printed systems

group, continued its profits

growth with a 19 per cent rise

in pre-tax figures in the six months to September 30.

Pre-tax profits were £3m,

against £2.53m in the same

period last year. This turned

into earnings per share of 4.98p

(4.2p), and prompted an

interim dividend increase from

of 5.9375 % per annum.

US\$ 100,000 principal

amount of Note.

US\$ 10,000 principal amount of Note and US\$ 1,500.87 per

However, excluding excep-

tional items, all three core

(£78.8m) including £5.05m from acquisitions and operating profit increased to £7.48m, compared with £6.75m last time £7.91m, against £14.3m when when discontinued operations the results included a £6.7m contributed £1.2m. exceptional gain from the sale of the leisure travel business to

businesses showed significant

Hogg Robinson falls to £7.9m

The interim dividend is increased to 2.95p (2.75p), payable from earnings of 7.25p (17.28p) per share. The shares closed down ¼p at 201p. Mr Brian Perry, chairman, commenting on the results, said progress so far had been,

"in line with plan" and added that the group was, "looking forward to a traditionally strong second half with attractive contributions from the successful integrations of the acquisitions made earlier in the year." Underpinning the strong

operating performance, the business travel division increased its profits by almost 50 per cent to £2.41m (£1.62m) on sales which grew from £16.1m to £19.9m Transport improved its mar-

Kalamazoo rises 19% to £3m

However, Mr Mike Lang-

more, chief executive, explained that in the computer

services division, new products

had been introduced which had

led to £3m of firm orders with

a further £3m under negotia-

tion. The results would come

In the printed systems divi-sion - lossmaking in 1992-93

but profitable after restructur-

ing - Kalamazoo has been cut-

ting back the range of products

The Agent Bank

The Agent Bank Kradietherik Lucembourg

Kredietbank Lummbourg

through in the second half.



ket share in its European trailer operations and posted a 35 per cent increase in profits to £3.8m (£2.5m) aided by healthy contributions from its two new acquisitions, Nippress and Snel coupled with a recovery in the Shipping Services business, which mainly undertakes cargo movements between the UK and the Falk-

During the second half, Kala-

mazoo expects a contribution from its newly acquired ET Hi-

Tec and WIS Computer

Systems, both bought to

expand the computer services

division. During the first half,

new acquisitions accounted for

£13,000 of operating profit of

The group holds net cash of

£7.4m. "We can do small acqui-

sitions without going to the market for cash," said Mr

£2.77m (£2.52m).

Meanwhile the financial services division reported a 15 per cent rise in profits to £2.7m (£2.35m), aided by contributions from the acquisitions of Skillbase and Claybrook, Mr Perry said the recent acquisition of Bain Hogg's financial services business from Inchcape positioned the group, "as one of the leading independent financial advisors in the UK."

Leopold Joseph at £1.09m

Leopold Joseph Holdings, the merchant bank, turned in pre-tax profits of £1.09m for the six months to September 30, against the background of a volatile financial environ-

Mr Robin Herbert, chairman. cautioned about the future. He predicted a "satisfactory" result for the year, but did not at this stage, expect an improvement on last year's £2.35m, "unless financial mar-ket conditions became much

Operating income for the six months was £4,32m and earnings per share came to 14.7p. The interim dividend has been raised to 3.4p (3.25p). The figures were prepared in

accordance with new accounting rules for banks and because of the different reporting basis, no comparatives are

Absence of exceptional gains this time has impact on interim results | Marling unloads lossmaking subsidiary

By Geoff Dyer

COMPANY NEWS: UK

Marling Industries, the industrial textiles company, yesterday announced a 25 per cent increase in interim pre-tax profits and the sale of its lossmaking German

industrial webbing subsidiary. Mr David Abel Smith, chief executive, said that the disposal of Oppermann was part of the strategy of concentrating on higher margin products. "We have now completed the task of eliminating the problems of the past."

The original owner, Mr Hans Dieter Oppermann, has acquired the company - which lost DM363,000 (£148,000) in the six months to September 30 - for the nominal consideration of DML. Oppermann will retain debts

of DM810.000. Marling is keeping Oppermann's seatbelt webbing business, which has been transferred to its Netherlands factory. It incurred a £1.24m

loss on the disposal. Marling's pre-tax profits for the six months to September 30 rose to £1.14m - after the £1.24m charge - compared with £910,000, which included £485,000 losses on disposals. Turnover advanced 8 per cent to £32m. That compared with £29.5m – including £4.04m from discontinued operations.

Operating margins on continuing businesses rose from 7 per cent to 9.8 per cent, despite higher raw materials

Mr William Rollason finance director, said that all the group's businesses had shown improvement. The main business, seathelt webbing, benefited from increased demand in the UK and continental Europe. Gearing fell from 95 per cent to 83 per cent. Mr Rollason

said the ratio would be 70 to 75 per cent at the year end. Earnings per share fell to 0.08p (0.29p). The company said that on continuing operations, and before charges, earnings rose to 0.78p (0.35p). The interim dividend is 0.25p (0.2p), payable as a foreign income dividend.

Prospect Inds rises 2% in difficult conditions

By David Wighton

Prospect Industries, the power station engineering and maintenance group, saw profits edge up 2 per cent to £5.17m before exceptional items in the year to September 30. Mr Philip Wilbraham, chair-

man, said that trading conditions in the UK remained "extremely difficult" with no immediate prospect of improvement

But he added: "Competitors such as Babcock and Senior have both lost money in our sector and I don't see managements of their quality allowing which was 108 per cent at the that to continue."

and and a support while a manager of party programmed a programmed and the support of the control of the contro

Group turnover rose 16 per cent to £67.4m but margins slipped, partly reflecting the costs of expansion overseas. US profits fell to £128,000 (£283,000) on turnover of £8.55m (£5.1m). Last month, Prospect acquired Whessoe's lossmaking

piping systems division for

£11.7m in shares with the aim

and £1m. Prospect's gearing,

of accelerating its international development. Its UK-based business is now being integrated with Prospect at a cost of between £750,000

Caverdale buy

for £2.4m in cash.

Dutch Group.

(3.981p).

Caverdale, the motor retailing

and industrial products group,

has acquired GE Harper, a

Volkswagen and Audi dealer,

The acquisition will be

financed from existing

of £4.8m. Caverdale now holds

16 vehicle franchises in 25 loca-

Drayton Blue Chip

Drayton Blue Chip Trust suf-

fered a fall in net assets per

share to 63.4p at September 30,

against 80.7p six months ear-

Net revenue for the six

months however, improved

from £503,000 to £551,000 and

earnings per share were 4.359p

The interim dividend is

A syndicated loan arranged by

Lloyds and WestLB banks for

Ocean Group, the freight and

transport company, has been

oversubscribed and increased

maintained at 2.905p.

Ocean Group

end of the period, has been cut below 50 per cent following the acquisition and share issue. After exceptional items,

including a profit of £736,000 on the sale of the final tranches of the Graystone loan note, pre-tax profits rose to £5.91m (£4.02m). company's brokers, Peel Hunt, forecast a rise to £8.5m this

Adjusted earnings per share were 2.01p (1.93p) and the final dividend is 0.56p giving a total for the year of 0.85p (0.8p) - up

NEWS DIGEST Merrydown Middle East peace process. Meanwhile Fosroc is increa

recovers ing its stake in its Indian joint venture from 40 per cent to 74 with £0.34m per cent It is also building two new factories in Korea and Indon-

Merrydown, the Sussex-based cider and soft drinks maker, returned to the black with a pre-tax profit of £340,000 for the half year to September 30.

The figure represented a marked improvement on the outcome for the year ended March 1994 when, after exceptional costs of £2.99m, the company was left with a deficit of £2.79m.

At the halfway stage last time there was a pre-tax profit of £932,000. Turnover for the period under review amounted to

£12.1m, up from £11.3m in the 1994 first half. Earnings came out at 2.08p

(5.72p) per share and the interim dividend is maintained at 1p. Merrydown's shares fell 4p to

Burmah Castrol

Burmah Castrol, the hubricants and chemicals group, is forming a joint venture in Jordan as part of a £4.5m expansion of its construction chemicals business in a number of emerging markets.

The Jordanian joint venture, in which Burmah's Fosroc subsidiary has a 70 per cent stake, is building a factory in Amman which will also supply the Lebanese, West Bank and Syrian markets. These are expected to grow rapidly as a result of the from £70m to £106.5m.

The money will be used to pay off an existing £70m loan and other loans. The 5% year, multi-currency deal, which was priced at 30

basis points over Libor, was targeted at banks which already had a relationship with the company.

Banks in the deal are:

Lloyds, WestLB, Rabobank, Bank of America, Sumitomo, Toronto Dominion, Crédit Lyonnais, Deutsche, Midland and First Chicago.

Abtrust Emerging

resources and from the sale of **Abtrust Emerging Economies** a stake worth £1.56m in United Investment Trust had net revenue of £393,472 for the period Harper made pre-tax profits of £130,000 in 1993 on turnover to September 30. Undiluted net asset value per

share amounted to 101.84p, compared with 95.92p at launch and 98.06p at the interim stage.
The trust, which was incor-

porated on September 24 last year, had earnings per share of 0.79p. The board has announced an ordinary dividend of 0.2p and a special dividend of 0.4p.

Martin Currie Eur

Martin Currie European Investment Trust had a net asset value of 117.9p per share at end-October against 117.7p a year earlier and 127.8p at the April 30 year-end.

Net revenue for the six months jumped to £228,000 (£99,000) for earnings per share of 0.99p (0.43p). The trust does not pay

Philip Harris jumps to £0.95m

Philip Harris, the laboratory equipment maker the division's areas. and pharmaceutical supplier, announced a jump in pre-tax profits from £378,000 to £947,000 for the six months to the end of Sep-

Group turnover, however, and moving into higher value

CRÉDIT NATIONAL

US\$ 250,000,000 Floating Rate Notes due 1997

In accordance with the Terms and Conditions of the Notes, no-

tice is hereby given that for the Interest Period from November 25,

1994 to February 24, 1995 the Notes will carry an Interest Rate

The Coupon Amount payable on the relevant Interest Payment Date, February 24, 1995, will be US\$ 15.01 per US\$ 1,000 principal amount of Note, US\$ 150.09 per

Kingdom of Denmark

USD 250,000,000

Floating Rate Notes due May 1995

In accordance with the Description of the Notes, notice is hereby given that for the Interest Period from November 25, 1994 to

May 25, 1995 the Notes will carry an Interest Rate of 10% per

ECU 1,200,000,000

Euro Medium Term Note

Euro Depositary Receipt Programme

Lavoro Bank Overseas N.V.

Banca Nazionale del Lavoro S.p.A.

Series Nº 5 Banca Nazionale del Lavoro S.p.A.

US\$ 200,000,000 Floating Rate Depositary . London Branch -

Receipts due 1999

In accordance with the terms of the Series № 5 Depositary Receipts

(the "Receipts") described in the Pricing Supplement dated as of

August 22, 1994, notice is hereby given that for the Interest Period from November 25, 1994 to February 27, 1995 the Receipts will

The interest Amount payable on the relevant interest Payment Dete, February 27, 1995 was be US\$ 16.29 per The Calculation Receipt of US\$ 1,000, US\$ 162.87

carry an interest. Rate of 6.2375 % per annum.

per Receipt of US\$ 10,000 and

US\$ 1,628.68 per Receipt

of US\$ 100,000.

The interest payable on the relevant Interest Payment Date,

May 25, 1995 against coupon No. 20 will amount to USD 502.78

There was a turnround in the education and profits of £344,000 with improved sales in all an improved outcome for the full year.

Group turnover rose by 13 per cent to £50.2m (£44.3m). Karnings per share came through at 5.77p against 2.42p and the interim dividend is

was slightly lower at £28.26m new lines like security print-

Mr Bob Jordan chairman, said the general scientific division from losses of £148,000 to improvement in all areas of activity pointed to

SCHRODER INTERNATIONAL SELECTION FUND Société d'investissement à capital variable

R.C. Luxembourg 8202

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS of Schroder International Selection Fund will be held at its registered office at 13, rue coethe, Luxembourg on Workesday, 7th December 1994 at 10 a.m. for the purpose of considering and voting upon the following matter:

Amendment of Article 16 of the Articles of Incorporation of the company, replacing

 the wording of purgraph 3 of this article by the following text:
 In the determination and implementation of the investment policy the board may cause the assets of any class of shares to be invested in securities listed on a stock.

exchange or other regulated market which operates regularly and is recognized and open to the public (a "Regulated Market") within the European Union and in transferable securities or dealt in on a stock exchange or other Regulated Market qualifying as an Eligible Market";

b) the wording of paragraph 4 and 5 of this article by the following text:
"An Eligible Market means any stock exchange of Regulated Market in Europe,
Asia, Oceania, the American Continents and Africa";

c) the wording of paragraph 7 of this article by the following text:

"The company may harther invest up to 100 per ceat of its net assets in transferable securities issued or guaranteed by a Member State of the European Union, by its local authorities, by a member state of the OECO or by public international bodies of which one or more Member States of the European Union are members, subject to investing in six different issues and securities from any one issue not accounting for more than 30 per cent of the total amount."

Approximately as uncollapsed the directors to the account of

propositiones as supplementary directors to the company of:

- Krith M. Niven, Chalmnan of Schroder Unit Trusts Limited and Director of Schroder Investment Management (Luxembourg) S.A., residing in London;

- Steen Svendsen, Managing Director of Schroder Investment Management (Scandinavia) A/S, residing in Cogenhagen;

- John Hall, Managing Director of Schroder Investment Management (Luxembourg) S.A., currently residing in London.

VOTENG Resolution on the item of the agenda of the Extraordinary General Meeting will require a quorum of 50% and a majority of 2/3 shareholders present or represented at the meeting voting in favour.

Registered shareholders who cannot attend the meeting in person are invited to send a duly complated and signed proxy form to the registered office of the company to arrive not later than December 5th, 1994.

Proxy forms will be sent to registered shareholders with a copy of this notice and can be obtained by bearer shareholders at the registered office of the company. The Board of Directors

To The Holders of Banco Central de Costa Rica US \$66,611,115 Series A Interest Claims Bonds Due May 21, 2005 US \$76,435,529 Series B Interest Claims Bonds Due May 21, 2005 NOTICE IS HEPEBY SWEN, that the rate of histories from November 21, 1984 arough and including February 20, 1995 is 6.75% per andure. Interest coupon payable on February 21, 1885 wit amount to \$1,325.78 per \$100,000 nominel less emours.

Datack November 21, 1994

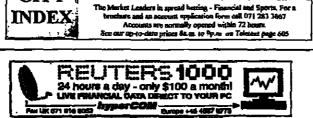
BANCA SERFIN, S.A. Floating Rate Notes due 2000 For the interest period from November 29, 1994 to May 30, 1995 the rate has been determined at 7.3125% per ennum The amount payable on May 30, 1985 per U.S. \$500,000

U.S. \$53,000,000

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Argentine Republic General Administration of Ports S.C. WINDING UP PROCESS

PUBLIC BID № 494 **NATIONAL AND INTERNATIONAL**

PURPOSE

TO SELECT A COMPANY OR AN ADVISORY CONSORTIUM in order to prepare a "PRINCIPAL PLAN" and a Project of "A PASSANGERS' RIVER/SEA TERMINAL" for North Dock Area, Buenos Aires Port, Argentine Republic.

PLACE TO OBTAIN AND TO RECEIVE

INFORMATION OF SPECIFICATIONS: In the Manager's Office for Supplies (Acquisitions Division), 55, Esmeralda Street, 6th floor, Office Nº 601, City of Buenos Aires, Argentine Republic, every work day, from 11 am to 15 pm

SPECIFICATIONS PRICE: \$1,600.00

PLACE TO SUBMIT OFFERS: In Acquisitions Division, Office 601 of the above mentioned address.

OPENING OF THE OFFERS:

On December 16, 1994 at 11 am, at the Openings Bureau of the Manager's Office for Supplies, Office № 602 of the above mentioned

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PT PABRIK KERTAS TITWI KIMIA U.S. \$50,000,000

Notice is hereby given that the Rate of Interest under the Interest Payment Certificate has been fixed at 6.5625% p.a. Together with the 1% interest under the Bond Certificate, the total interest payable on the relevant Interest Payment Date May 30, 1995 in respect of U.S.\$250,000 nominal of the two Cartificates will be U.S.\$9,558.16.

November 29, 1994 By: Citibank, N.A. Hong Kong, CITIBANG

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT US\$250,000,000 FLOATING RATE NOTES DUE 2002

in accordance with the provisions of the Notes, notice is hereby given as

 Interest period: November 27th, 1994 to May 30th, 1995 Interest Payment Date: May 30th, 1995

 Interest Rate: 5.7625% per annum Coupon amount: US\$294.53 per note of US \$10,000

> US\$2,945.28 per note of US \$100,000 Agent Bank

BANQUE INTERNATIONALE BILLS A LUXEMBOURG



Deficit forecast steadies London coffee futures

A forecast from Colombia's National Coffee Growers' Federation of a bigger-than-expected world supply deficit in the 1995-96 season steadied coffee futures in London yesterday.

The January futures position at the London Commodity Exchange, which last week dipped below \$3,000 for the first time since late June. closed \$25 higher at \$3.013 a tonne after touching \$3,040 ear-

Dealers said early buying had been encouraged by the Colombian forecast, which suggested that demand would outstrip supply next year by lim bags (60kg each). Higher green-coffee imports by Germany during August, compared with July, also helped, a trader told the Reuters news

Last week's \$400-plus plunge to \$2,870 a tonne followed news that Brazilian coffee stocks

were higher than most analysts had estimated.

Over the previous two weeks the January price had slipped \$320 after Brazil's issued an official assessment of its frostand drought-damaged 1995-96 crop that was broadly in line with market estimates. Speculators, confident that no further market shocks were imminent, began selling their long positions; and the resulting lower prices attracted no sig-

Farm leaders attack set-aside delay

By Alison Maittand

British farm leaders yesterday attacked the European Parlia-ment for holding up implementation of a cut in the amount of arable land which European Union farmers have to leave uncultivated as "set-aside"

Sir David Naish, president of the National Farmers' Union. said that the procedural hold-up by the parliament in giving its opinion on the cut was causing farmers "delay and uncertainty".

Mr William Waldegrave, agriculture minister, agreed that the delay was "irritating" as it was becoming too late for

sions for next year. The reduction of 3 percentage points to 12 per cent in the amount of land that arable farmers have to set aside next year was agreed by EU agriculture ministers a month ago. But the parliament must pronounce on the move before it can be implemented by agricul-

Sir David said there was concern that the parliament might not give its opinion in time for the last agriculture council meeting of the year, in mid-De-

"Farmers and growers are consistently being exhorted to move closer to the market barley.

farmers to make drilling deci- place," he said. "But that can all too often turn into a nightmare in the business sense if the politicians indulge in verbal sparring of a kind which bears little reality to what is happening in the market

nificant roaster buying.

Winter wheat crops should mostly have been drilled by now, and many farmers are believed to have gone ahead in planting more land than last year on the assumption that the cut will be implemented.

If they left the decision until late December or January. they would be restricted to planting lower margin varieties of wheat or crops such as

ment of the 1990s". The submission pointed out that Canada and the US had higher productivity rates for thermal coal than Australia. and were raising it at a faster pace. At the same time, new producers are entering the market, notably Indonesia

r Bob Humphris, the chairman of the Aus-Australian mineworkers have threatened to tralian Coal Associadisrupt export coal supplies unless companies tion, describes this as "a critiwring a significant price increase out of the cal year" for the world's Japanese steel and electricity industry customers in the annual round of price negotiations The industry, long hampered now getting under way in Tokyo, writes Nikki by poor labour relations and

Talt in Sydney. The threat could herald a repeat last year's experience when mineworkers walked out for several days in protest at the coking coal contracts and then held a second 48-hour stoppage over steaming coal price agreements. Their action prompted the federal government to agree to an inquiry into the industry, conclu-

sions of which are due to handed down shortly. Yesterday, Mr John Maitland, president of the powerful Construction, Forestry, Mining and Energy Union, said that Australian producers "should not think of settling for anything less than [a] US\$10 per tonne [increase]" and that he would not be prepared to guarantee the

and other obstacles such as the but the submission warned: industrial relations tribunal "The North Americans are achgovernment monopoly of the eving big gains in productivity, and are in the market owners hope that this report looking to expand tonnage subwill finally clear the way for stantially".

The labour organisations, not surprisingly, dispute these claims. The mineworkers union blames the Australian industry's high costs on poor management, and its low profitability on the failure of company negotiators to obtain the best prices for coal, particularly from the Japanese. Earlier this year, a dispute on this issue led to walk-outs by miners, and unions are threatening further disruptions in the lat-

est round of price negotiations. Whatever Mr Taylor has to say, however, important changes are already afoot. In a major departure, the

special labour tribunal which has existed for the coal industry since the last war, is due to be linked to the mainstream tives could not negotiate a good price. There have been some rumours that produc-

supply of export coal if company representa-

ers would be willing to take a rise of USS6 a tome, but Mr Maitland said that this "would represent no real increase at all in Australian

Last year, producers accepted price cuts of about 8 per cent in US dollar terms - with prices of hard coking coals falling by US\$4 a tonne. However, the Australian dellar has gained ground against the US currency over the

Coal is Australia's largest export category, and the price agreements with the Japanese negotiated annually - are used as a price setter for the industry. The cuts agreed last year in the wake of big financial problems for the Japanese steel mills and threats of undercutting by Canadian producers, represented the fourth successive year in which prices had fallen.

> Hunter Valley. The mine will produce about 3.5m tonnes a year, largely for export to foreign electricity utilities, beginning in 1996. Shell stresses, however, that

ers to consider themselves heavy investment in Dartbrook is only possible because it has Nor is the sense of crisis which the coal owners seem keen to foster reflected closer a very thick seem (an average 3.8m) capable of being mined with the most modern highcapacity, longwail equipment. ast year, the industry

"Margins in coal mining are slim, making investment in new mines difficult unless you have super geology. We have that at Dartbrook," says Mr Gordon Summers, Shell's gen-

eral manager for coal. The mine is also strategically located on the railway connected to the modern coal loading terminal at Newcastle, about 200km north of Sydney. The government of New South Wales recently agreed to open the line to competition from private hauliers, a move which

David Lascelles reports on efforts to raise productivity and improve labour relations producers \$1.80 to \$1.96 * tonne.

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Recs

Shell is considering two fare ther major investments in Queensland, for which the final go ahead is unlikely to be given until after the Taxior report has come out. One is Moranbah, a coking coal mine with a Sin tonnes a year capacity, where an investment of \$270m is foreseen. If work started in early 1996, it would be producing in 1999. The second is Theodore, which would expert 4m tennes of thermal

bronically, some of the new investment may have been triggered by the uncertainty surrounding the haure of the industry. If hig changes are indeed on the way, they should create new opportunities for those who can seize them.

Mr Humphris says; "Before, we all travelled at same rate because of the restrictions on the industry. Now, the smarter companies are going to do bet-

But there is also a sense that prices are recovering from a three-year slump, which took them down by 20 per cent or more, and that long term demand prospects are good in the region. Large purchasers like Japan and Korea see demand growing, and new customers such as Thailand and India are stirring. According to Mr Humphris.

there is no "Euro-style swing away from coal" in the Far East and Asia.

Were it not for concerns about "greenhouse" gases and the environment, he believes that coal would be "on the verge of most exciting expan-

Gengold plans Oryx scale-down

By Mark Suzman in

South African mining producer Gengold has said that it plans to scale down underground mining operations at its troubled Oryx gold mine pending further investigation of the

This follows the announcement earlier this year that the mine would probably need R950m (£150m) in new capital on top of the R2bn already invested if it was to become commercially viable. According to the company.

revealed unusual variability in the grade of the reef. In consequence the mine will require an addition 2,000 metres of reef

preliminary sampling has development to explore the area further and determine whether there is in fact an exploitable high grade channel within the main ore body. This development is expected to be completed by December 1995.

As a result of the move, the mine's workforce will be scaled down from 3,200 to 1,200 although Gengold plans to offer most of the workers alternative employment on other

mines in the group

Gencor, Gengold's parent company, has agreed to under-write the additional exploration at the cost of R12m a month. However this excludes financing costs and Gengold says it will seek further consultation with Oryx's bankers.

Meanwhile Gengold says that the initial R979m in interest-free loans provided by the mine's major shareholders -Gencor, mining house Anglo-American, investment group Genbel and financial group Sanlam - will be capitalised in the near future.

MARKET REPORT

largest coal exporter.

low productivity, is trying to

shake off the past and protect

its share of the booming

In the next few weeks, a

joint government-industry-la-

bour council will receive the

report of Mr Rae Taylor, a for-

mer civil servant who has been

studying the impediments to

the growth of the Australian

coal industry, and particularly

to its exports. He is expected to

highlight high production costs, poor labour relations,

The employers and mine

the industry after years of

labour confrontation. In their

submission to the inquiry, they

said: "Coal industry manage-

ment has been trying for years

now to break out of these

inherited shackles and atti-

tudes, and to transform the

industry into one more befit-

ting the competitive environ-

whose most expensive mines

are lower cost than Australia's

cheapest. In coking coal, Aus-

tralia has a stronger position,

railway system.

Pacific rim coal market.

Nervous selling hits prices at London Metal Exchange

next July. The old tribunal.

from which there was no

appeal, was widely seen as an encouragement to minework-

produced a record 180m

tonnes, and exports, at

132m tonnes, were also the

highest ever. That made coal

the largest single contributor to Australia's foreign earnings

The coal industry also has

some major expansion plans afoot. Shell, the third largest

producer after BHP and CRA,

including Japan's Marubeni

and Showa that is investing

mine at Dartbrook in the

\$270m in a new underground

heading a consortium

with nearly \$A8bn (£3.89bn).

to the ground.

liquidation hit all London Metal Exchange contracts yesterday afternoon and only COPPER found support before the end of the session.

Three months delivery TIN lost more than \$200 a tonne, while ALUMINIUM was down \$65 and ZINC \$40.

"They lost some of their

and this was enough to get some investors to lighten their load. . . it just snow-balled," a trader explained.

Aluminium was hit in a thin

by US selling, which took the three months price below \$1,880 a tonne, triggering stoploss selling down to \$1,827. At the London Commodity

lower as trade selling in New York triggered mixed selling and stop-losses in London. dealers said Compiled from Reuters

upward momentum last week lunchtime inter-office market Exchange COCOA futures ran COMMODITIES PRICES Of braking and jobbing the Pelikan's fond, MEAT AND LIVESTOCK BASE METALS Precious Metals continued GRAINS AND OIL SEEDS ■ LIVE CATTLE CME (40,000bs; cents/los) E GOLD COMEX (100 Troy oz.; \$/troy oz.) M WHEAT LCE (2 per torme) LONDON METAL EXCHANGE Cary's Open change High Low Int BI ALUMINGUM, 99.7 PURITY (\$ per torme) 67.825 -0.050 88.225 67.500 18,957 5,316 87.775 +0.100 88,050 67.500 25,481 7,319 104.85 -0.35 105.00 104.90 1,841 106.70 -0.40 107.25 106.70 1,557 948 15,537 963 958 42,499 2,507 Dec Feb Apr Jun Aug - 39,668 34,934 108.70 -0.40 109.25 108.75 1,549 110.85 -0.25 - 130 964 16,102 678 972 6,900 176 985 13,035 156 81.800 +0.225 89.075 88.525 17.385 64.925 +0.050 84.775 64.375 5,897 82.875 +0.050 83.300 82.750 2,079 1902-2.5 1828-9 Kerb close Open int. Total delly lumove R PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) E COCOA CSCE (10 tonnes 410.2 -2.2 412.0 409.0 14.908 1,140 414.5 -2.3 418.5 413.5 8.296 294 418.5 -2.3 419.5 419.0 1,964 129 425.5 -2.3 -3.616 283 426.5 -2.3 -2.3 12 -3.616 +2/2 369/0 386/0 12,165 1,721 +3/0 383/0 389/0 35,666 4,901 +2/0 367/4 366/6 5,856 648 +0/4 339/4 337/4 11,313 906 +1/0 344/0 324/0 524 59 31,375 -0.475 32,100 31,325 11,502 -35 -41 -38 -33 -33 -33 1241 ME ALUMANIUM ALLOY (\$ per tont) 380/0 35,665 385/6 5,859 337/4 11,318 344/0 524 354/4 163 1320 1343 1350 1370 1415 44,216 9,496 3,875 34.225 35.250 40.575 40.825 1275 1302 1329 1353 1272 1298 1329 1370 Close Previous High/low AM Official Kerb close Open Int. Total delly tumover -0.375 35.950 35.050 -0.575 41.300 40.475 -0.350 41.300 40.770 6,150 3,432 901 868 1805-10 1840-5 1835-40 1873-5 524 183 65,721 1,580 5,135 1835-40 BE PALLADRUM NYMEX (100 Troy oz.; \$/troy oz.) EL COCOA (ICCO) (SDR's/tonne) -1.40 154.75 153.25 1,525 -1.10 156.00 156.25 5,115 -1.10 157.00 156.75 578 -1.10 157.50 157.50 96 - 213/8 212/0 58,169 13,443 35,700 -0.400 38,200 35,300 7,711 at LEAD (\$ per tonne) **JOTTER PAD** 652.5-8.5 670-1 684-5 7,314

Close Previous High/low AM Official SILVER COMEX (100 Tray oz.; Cente/tray oz.) 688/680 687-7.5 689.5-70.5 Kerb close 44,310 12,8\$5 M. MICKEL (\$ per torme) 7695-700 7745-6 7810/7610 7795-800 7625-35 AM Official Kerb close Open Int. Total daily turnover 7680-70 67,608 14,094 **ENERGY** E CRUDE OIL NYMEX (42,000 US gails, \$/barrel) TIN (\$ per tonne 6130-40 6205-10 6240/6030 6230-40 Close Previous 6045-55 6125-35 6150 Highviow AM Official 23,235

E ZINC, special i Close 1137-8 I CRUDE OIL IPE (\$/barret) Previous High/low AM Official Kerb close 1145.5 1177/1129 1127-0 Open Int. Total daily turnover E COPPER, grade A (\$ per tonne Close Previous High/low AM Official Kerb close 2858-8 2823-4 2881/2880 2880-82 ME HEATING OFL KYMEX (42,000 US gaths; C/US gaths) Open int. Total daily turnove 68,371

Spot:1.5825 3 poties:1.5821 6 mitter:1.5810 9 poties:1.5592 130,00 +1,45 130,50 129,50 1,023 129,30 +1,75 - 765 127,95 +1,80 129,40 126,50 20,587 +1.55 127.00 126.00 679 62 54,174 15,770

PRECIOUS METALS III LONDON BULLION MARKET (Prices supplied by N M Rother Gold (Troy oz.)

6 months

Gold Coin

1 year

III LIME AM Official 9/5 rate: 1.582

Opening Morning fix Afternoon fix 384.70-385.10 384.70 245,870 384.00 385.00-386.40 383/70-384.10 Day's Low 1 month Sever Fix Spot 517.15 524.45 3 months

348.95

\$ price 386.00-389.00

395.40-397.90 90-93

532.60

2 equiv. 247-250

-1.25 154.00 153.25 24,767 -0.75 153.75 155.00 15,725 -0.75 156.50 156.75 10.076 -0.50 155.00 154.75 3,457 -0.50 944 M NATURAL GAS MMEEK (10,000 mmBal; \$/mm8in) 1.851 32.376 3,488 843 427 234 1.910 1.860 1.810 1.805 1.805 1.870 16.299 1.835 14,113 1.875 1.840 -0.001 1.790 -0.001 1.795 7,538 1.790 7,534 1.796 6,660 MYMEX (42,000 US galls.; c/US galls.) 55.50 14,825 56.20 25,552 55.25 12,802 - 52.75 - 55.25 12,802 6,811 - 40.00 55.76 55.25 12,802 6,811 - 40.00 58.05 58.70 6,805 1,286 - 40.06 57.90 57.80 2,380 455 73,180 55,763

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18.30 37,277 18.79 15,863 16.73 6,940 16.73 4,886 16.71 5,171

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0.44 51.85 50.55 48,576 20,832 -0.38 51.95 51.20 25,766 5,840 -0.31 51.40 51.00 13,426 3,487 -0.16 50.70 50.50 9,813 519 -0.01 50.10 50.10 5,172 219

-1.25 151.75 151.00 31,269

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Day's charge -0.42

■ GAS OIL PE @/tome

13,266 118 356

2309 36,543 2346 45,001 2400 3,977 BE BARLEY LCE (2 per tonne) 480 134 44 30 81 +5/4 578/4 588/5 50,852 10,379 +5/4 588/0 578/0 30,320 2,130 +8/0 582/0 586/0 15,599 887 +4/6 587/0 59/0 22,779 1,541 +4/2 586/0 594/4 1,005 91 +3/6 600/0 594/4 1,005 14 ■ SOYABEAN OFL CST #00.000fbs: cents/fb) 29.10 +0.36 29.26 28.67 27.852 28.10 +0.39 29.28 27.76 32.395 27.07 +0.44 27.25 28.70 23.063 +0.36 25.28 27.76 32.395 +0.44 27.25 26.70 23.063 +0.33 26.20 26.75 16.262 +0.23 25.45 25.10 10.024 M SOYABEAN MEAL CRT (100 tons; \$/ton) +0.2 +0.3 188.5 11.629 1,251 172.9 11,235 1,852 175.0 2,425 97 101,348 15,148 W POTATOES LCE (E/torne -21,5 289.0 285.0 1,324 265.6 262.5 250.0 -**22.**5 240 382 1,171 1910 1955 1865 1752 1911 1911 1911

Tes
The Yea Broker's Association reports good demand. Coloury assams sold well and prices appreciated 2 to 4 pance, however, plainer North Indians were first to 5 pence lower, Bright and coloury East Africans eased 5 to 7 pence but mediums remained fully fion. Ceylons, were well supported with brighter types ateady and plainer treas often dearer. Faithy good commention hus at easier page. Curtingond commention hus at easier page. Curtingond commention hus at easier page. # REUTERS (Base: 16/9/31=100)

IN COPPEE LCE (\$/torne 2950 105 36 2990 10,807 1,437 2940 8,887 1,152 2920 4,360 96 2900 1,475 73 +55 +25 +7 +5 2980 3040 2990 2950 2930 2898 2940 8,887 2920 4,360 2900 1,475 2988 2,519 EL COFFEE °C' CSCE (37,500lbs; cents/lbs) 180.25 +1.85 181.75 180.25 550 386 185.10 +1.85 180.40 181.40 17,857 6,764 167.60 +1.05 180.75 184.25 6,562 1,255 170.00 +3.00 170.80 187.75 2,383 338 171.25 +2.75 171.25 189.00 1,047 238 172.15 +2.65 590 10.07 238 COFFEE (ICC) (US car NOT PREMIUM RAW SUGAR LCE (cents/lbs) 12.00 14.70 15.45 15.08 420.80 +10.90 422.00 408.00 11,198 2.201 413.00 +10.10 414.50 398.40 4,448 562 401.00 +820 400.00 388.00 3,856 628 370.30 +8.00 364.50 357.00 1,555 73 384.00 +4.80 334.40 353.00 100 40 364.30 +4.80 354.40 353.00 109 40 ■ SUGAR '11' CSCE (112,000lbs; cents/lbs) 15.16 +0.87 15.25 14.57 100,959 12,487 15.10 +0.60 15.18 14.58 33.981 5,519 14.74 +0.49 14.75 14.28 20,639 2,873 13.94 +0.42 13.96 13.55 18,571 3,239 ■ COTTON NYCE (50,000lbs; cents/lbs) 76.85 +3.00 77.05 75.50 2,687 962 78.78 +2.00 78.78 77.53 30.006 3,386 79.83 +2.00 79.83 79.20 8,256 616 80.33 +2.00 80.33 79.60 72.96 +1.07 78.10 72.00 71.35 +0.80 71.40 70.80 III ORANGE JUICE NYCE (15,000bs; cents/lbs) -1,45 108.35 106.80 13,996 -1,35 112.25 109.60 8,143 -1,25 115.50 112.50 1,912 -0.90 115.50 116.50 1,030 -0.80 121.00 119.00 1,709 -0.95 118.10 118.10 1,318 118,70

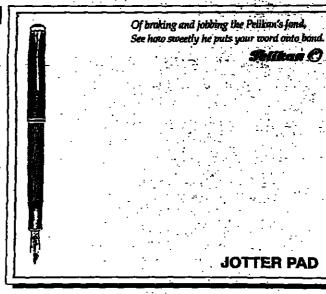
VOLUME DATA Open interest and Volume data shown INDICES

Feb Max May Jul 1,292 457 389 111 36.950 -0.425 37.506 36.900 38.150 -0.150 38.450 37.850 36.800 - 37.200 36.750 +0.000 44.000 LONDON TRADED OPTIONS 153 157 105 49 70 95 E COPPE 124 104 86 151 180 211 2750 E CORREICE Jan 118 146 177 Mar 2최1 283 817 204 186 170 COCCOA LCE Apr 122 82 67 110 67 LONDON SPOT MARKETS Cubei Brent Biend (deted) Brent Siend (den) W.T.I. (1pm est) \$16.92-6.94 RE OIL PRODUCTS prompt delivery CIF (tonne) Gas OII Heavy Fuet Oil Naphtha Jet fuel \$96-101 \$179-183 \$171-173 071) 358 8792 IN OTHER Gold (per troy oz)# Silver (per troy oz)# Platinum (per troy oz.) \$384.00 513.5c Palledium (per troy oz.) \$154.00 135.0c Copper (US prod.) 40.75c 15.56r -0.04

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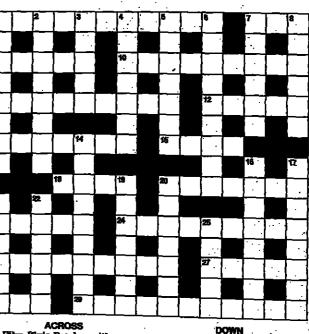
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CROSSWORD

No.8,623 Set by GRIFFIN



Film Elvis Prealey with crossword compiler (3,4,3,1) Name district without a sta-

10 Cover man in train crash (9) 11 A gas expert, yet Len is wrong (9)
12 Unsuitable writer comes by in it (5) 13 Tempts with diamonds an

eccentric sent round (7) 15 Long pole superfluous for time (4) 18 Deborah appears in 1, 28 and "The Locker Room" (4) 20 See 7 across 23 Appropriate American to hold

ringleader up (5)
24 Has been a fast sort of jollification (9) 27 Play with a tot first (5)

26 Having transposed tune hunt 28, 29 Film Edna at broadcast.

bac<u>k!</u> (7)

designed (9)
Shouted you once a wooded valley turned up (6)

8 Distance Len got having dropped round hospital (6). 14 Film transported to place by soldiers (9) Doctors hint about man's breathing improver (8) 17 First ten volunteers into sea. somewhere in France (8)

Bill requires about

2 Even the new student entered

Where it always goes around

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Supposed to give May a ring I

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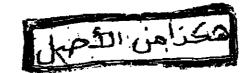
Bend our unwound spring 20 Supporter really showing courage (7) 21 Sweet couple sing it about Elsie for the audience (5) 22 Chap first asked about article

25 Bored when served food in an aeroplane? (3,2)

Solution to Saturday's prize puzzle on Saturday December 10. Solution to yesterday's prize puzzle on Monday December 12.

Nov 25 2142.9

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MARKET REPORT

SUSSE NOVEMBER 39 1994

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Equity market in good shape ahead of Budget

The London market continued its rehabilitation process yesterday. and was supported by renewed steadiness on Wall Street, where the Dow Industrial Average built on Friday's good performance.

Aiding the domestic market's confidence was a growing feeling that the government would comfortably get its EU contributions bill through the House of Commons last night. And with the political wind said to have shifted in the prime minister's favour, there was also a better feeling around the markets in terms of the Budget.

Dealers were taking the view that the market's recovery boded well. "Although you can never be sure, it seems unlikely that there will be many downside shocks in the Budmance today," said one.
The FT-SE 100 Index ended only

marginally below the day's best and a net 13.6 up at 3,047.1. There was a similarly strong showing from the market's second-line issues, the FT-SE Mid 250 Index settling 9.7 firmer at 3,490.0. One area of disappointment was the level of business in the market, which remained depressed after the recent heavy es and amid persistent fears of further big retreats by the market.

Turnover, although boosted by at least two programme trades, one very small and the other of medium size, reached 560.6m shares. Non-Footsie turnover accounted for 350.8m, or 63 per cent of the total. The Stock Exchange revealed that customer business last Friday just

about crept over the £1bn level.

The Footsie began the session on a firm note, up 6.4, and moved ahead steadily as some of the more optimistic fund managers picked up what they perceived to be cheap stock ahead of the Budget.

Marketmakers, still traumatised by last week's steep falls, were said to have been running level to short books and were quick to lift their dealing levels at the appearance of any meaningful demand.

The early wave of buying interest drove the Footsie up to the day's high, 3,049.8, over lunchtime, but interest subsided thereafter, as dealers began to manoeuvre their trading books to mostly level positions

in front of the Budget. Wall Street extended last Friday's recovery trend, moving quickly to record a 30-point gain on the day, before slipping off to show a rise of cause of big falls across interna-

20 points an hour and a half after tional stock markets last week.

London had closed. The ever-present threat of a w

LONDON STOCK EXCHANGE

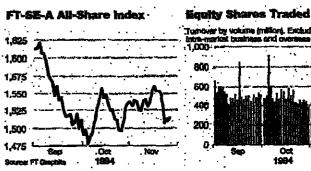
Although preoccupied with the Budget, equity traders in London will have to keep a weather eye on Wall Street, which has to deal with a long list of important economic data this week. The numbers include a final revision of thirdquarter gross domestic product, expected tomorrow, the highly regarded National Association of Purchasing Management index, due on Thursday, and Friday's employ-

ment report. Strategists said that any rise much in excess of an expected increase of 225,000 in US non-farm payrolls could bring renewed pressure for a further tightening of the

The ever-present threat of a windfall profits taxation continued to unnerve some investors in the ptilities areas. There was, however. good support for some of the electricity stocks, with one of the big European securities houses chasing issues such as Yorkshire Electricity

and Northern Electricity.

NatWest Securities sounded a note of caution ahead of the Budget. In its latest Equity Market Commentary, the stockbroker noted that equities have moved in the opposite direction to glits over the last week and pointed out that this suggeste that markets are worrying about the outlook for growth. "In this context," NatWest said, "it is worrying to see downgrades outnumbering upgrades in November - for the first time since February."





Ranks

Best performing sectors
1 Engineering, Vehicles 2 Household Goods +0.8 3 Property +0.7 4 Engineering

FT Ordinary index (18.27)FT-SE-A Non Fins p/e 18.34 FT-SE100 Fut Dec 10 yr Gilt yleid Long gilt/equity yld ratio: Worst performing sectors 1 Textiles & Apparel

Dividend hope for Recs

Regional electricity companies (recs) advanced as the market looked beyond the Budget and to the forthcoming results season, with its possibility of big dividend payouts.

Analysts said worries about a possible windfall tax on excess earnings had been discounted. And, although all ears would be on possible com-

Stock index futures moved

higher, but activity was low

and there was little real

market in spite of the

Cada 3.363 Puls 9.202

attempt to lead the cash

National Grid, investors were submarine maker from elecbeginning to concentrate on the interims, which begin with Seeboard on Thursday.

Mr Stephen Doe of Hoare Govett commented: "We could see outstanding dividends of up to 40 per cent from some of these companies." Seeboard, which has been trading around its all-time high, eased 11/2 to 408p. Northern and Yorkshire. both bought actively by Swiss Bank according to dealers, rose 22 to 809p and 10 to 721p.

VSEL power VSEL continued to power

EQUITY FUTURES AND OPTIONS TRADING

■ FT-SE 100 INDEX FUTURES (LIFFE) 225 per full Index point

Open Sett price Change High

3091.0 +20.0

FT-SE MID 250 INDEX PUTURIES (LIFFE) £10 per tuli index point

III FT-SE MID 250 INDEX FUTURES (OMLX) 210 per full index point

FT-SE 100 INDEX OPTION (LIFFE) *3047 £10 per full index point

3485.D

3470.0 3490.0 +15.0 3470.0 3470.0 3507.0 3525.0 +13.0 3520.0 3507.0

R GURO STYLE FT-SE 100 INDEX OPTION (LIFFE) 210 per full index point

EURO STYLE FT-SE MID 250 MIDEX OPTION (OMILX) \$10 per full index point

1023.03

1818.28

1<u>540.48</u>

1903.49 2511.17 2075.18 2852.11

2152,39

10.00

Time of FT-SE 100 Day's high: 12,52pm Day's law: 8,30am. FT-SE 100 1994 High: 3520,3 (2/2) Law: 2676.8 (248).

3039.9 3047.7 3048.1 3047.2 3484.4 3488.9 3489.8 3489.0 1525.8 1529.1 1529.3 1528.8

■ FT-SE Actuaries 350 Industry baskets

FT - SE Actuaries Share Indices

FT-SE 100
FT-SE Mid 250
FT-SE Mid 250 ex Inv Trusts
FT-SE A 350
FT-SE SmellCap
FT-SE SmellCap ex Inv Trusts
FT-SE-A ALL-SHARE

10 MINERAL EXTRACTION(18) 12 Extractive industries(4) 15 Oil, integrated(3) 16 Oil Exploration & Prod(11)

16 Oil Exploration & Frout.17.
20 GEN MANUFACTUREHS(267)
21 Building & Construction(SS)
22 Building Matte & Mercha(32)
23 Chemiteate(23)
24 Diversified industriate(16)
25 Bectronic & Elect Equip(S4)
28 Engineering(71)
27 Engineering, Vehicles(12)
28 Printing, Paper & Pokg(28)
29 Textiles & Appare(20)

30 CONSUMER GOODS(97)

31 Brewenes(17)
32 Spirits, Wines & Ciders(10)
33 Food Manufacturers(23)
34 Household Goods(13)

36 Tobacco(1)

40 SERVICES(219)
41 Distributors(219)
42 Leisune & Hossis(25)
43 Medie(39)
44 Ristaliers, Food(16)
45 Restaliers, General(45)
48 Support Services(41)
49 Transport(16)
51 Other Services & Busi

80 VIIILTIES(36) stactricity(17)

68 Water(13)

68 NON-FINANCIAL SIGHT)

70 FINANCIALS(104)

74 Life Assurance(6) 75 Merchant Banks(6) 77 Other Financial(24)

80 INVESTMENT TRUSTS(124) 89 FT-SE-A ALL-SHARE(985)

■ Hourly movements

79 Property(41)

FT-SE 100 FI-SE MED 250

FT-SE Actuaries All-Share

2675 2925 2975 3025 3076 3125 3175 3225 18912 912 14512 16 16612 27 74 44 47 67 2712 9712 14 13312 812 17512 21412 23 177 40 14212 5512 112 7412 8512 8712 8312 125 4512 15512 8112 182 18312 182 18312 182 45 188

3500

83¹2 134¹2 94 148¹2 140 173

3650 3700 3750

+0.4 3033.5 3036.8 3027.5 3135.8 +0.3 3480.3 3481.2 3488.8 3486.0 +0.2 3481.0 3483.5 3483.9 3484.3 +0.4 152.27 1524.0 1521.2 1561.1 +0.2 1762.70 1763.25 1762.75 1737.57

+0.2 1732.45 1733.42 1733.83 1713.62 +0.4 1508.03 1510.28 1507.88 1543.27

Day's Year Div. Earn Nov 28 chge% Nov 25 Nov 24 Nov 23 ago yield% yield%

+0.2 2865.27 2861.28 2833.50 2338.00 +0.4 3782.18 3753.45 3753.46 3305.40 +0.2 2826.97 2821.78 2598.05 2286.10

+0.5 1838.71 1848.32 1846.38 1774.10

+0.5 1841.84 1842.58 1840.08 1820.70 +0.1 1022.02 1021.99 1019.95 1145.70 +0.2 1821.96 1823.80 1822.97 1965.40

-0.7 1600.58 1755.78 1755.79 1757.90 10 10.6 2183.55 2178.79 2194.96 2101.00 10.4 2711.31 2732.30 2754.33 2787.90 10.4 2251.43 2267.34 2263.50 2262.90 10.4 2251.43 2267.34 2263.50 2262.90 10.3 1588.05 1586.19 1571.32 1688.90 10.7 3078.22 3078.63 3088.30 3077.70 10.2 3699.59 3720.56 3088.30 3077.70 10.2 3699.59 3099.50 3099

+0.2 3889.69 3720.50 3685.39 4351.10 +0.4 1896.25 1899.21 1896.03 1918.70 -0.3 2518.44 2527.85 2527.56 2706.50 +0.6 2061.91 2058.46 2051.45 1830.90 +0.4 2642.06 2843.19 2825.80 2653.30 +0.4 1743.02 1739.82 1733.49 1801.70 +0.4 1596.39 1595.68 1804.68 1759.50 +0.3 1507.50 1612.59 1510.59 1696.80 +0.4 2245.09 2244.31 2227.98 2361.90 +0.2 1250.12 1251.31 1248.96 1165.20

ahead on rumours of an immiments about the future of the nent increased offer for the

development of a comfortable

premium during the afternoon

session, writes Jeffrey Brown. The FT-SE 100 December

contract had reached 3.055 at

3088.0 3084.5

Low Est. vol Open int,

tronics giant GEC, rising 15 to 1535p for an advance over the past two trading days of 40. The December 7 deadline for

a decision from the Office of Fair Trading on whether to refer either of the two competing bids for VSEL - British Aerospace is the other contender - to the Monopolies and Mergers Commission is just

over a week away. The odds on Sir Arnold Weinstock and his team at GEC upping the ante before hand look to have shortened significantly in recent sessions. BAe added 3 at 455p, pushing the value of its all-share offer above 1500p. GEC, which

the close of pit trading, up 19

points. The premium to cash

equities was around nine

points, or a full four points

The steadiness of the

was no real guide to trading

a day that could do little more

than consolidate ahead of

two-way trade during the

morning, which pushed the

premium to cash equities

down to around two points.

only drift upwards, with most

early hait to proceedings. At

traders deciding to call an

the 4.10pm official close it

lots, from 21,025 on Friday. Call and put volume was fairly

evenly matched, while FT-SE and Euro FT-SE trades

accounted for just over 10,000

P/E Xd adj. Total ratio ytd Return 16.36 117.76 1158.77

P/E Xdadij. Total ratio ytd Refum

7.22 16.38 117.78 1158.77 5.89 20.42 124.54 1308.95 6.39 19.00 128.95 1308.24 6.92 17.15 58.07 1158.65 5.00 25.39 52.97 1376.87 5.56 23.17 54.78 1357.26 6.78 17.55 56.72 1189.93

5.14 24.60 89.83 1074.50 5.43 22.77 88.62 1042.72 5.71 21.81 98.44 1088.86 ‡ ± 38.03 1068.81

\$ 38.03 1088.81 5.29 22.90 71.47 948.28 5.48 24.02 36.70 806.63 5.35 22.63 71.16 867.04 4,77 20.57 91.47 995.57 5.26 22.78 82.92 880.88 6.84 17.45 61.88 900.31 5.42 21.67 56.97 1046.94 1.49 80.00† 92.54 1135.18 5.55 20.98 81.25 1102.97 6.45 20.08 83.82 890.55

7.37 15.72 114.03 946.18 7.81 15.27 67.40 966.83 7.10 16.20 112.20 918.24 7.80 15.18 96.22 958.45 7.94 15.19 96.22 958.45 7.94 15.19 86.98 828.04 3.40 41.40 48.70 923.28 8.95 16.85 133.07 994.31 9.27 11.58 217.07 845.82

6.55 18.12 58.00 93.9.62 7.35 18.09 91.84 878.82 5.23 22.36 57.89 1025.98 5.28 22.10 70.90 992.89 9.06 13.54 60.63 1053.70 7.17 17.39 52.83 857.17 6.82 18.08 3.08 923.51 6.26 18.08 3.08 923.51 6.26 18.53 72.24 690.68 3.25 45.98 28.83 1079.07

16.10 High/day Low/day

was 11 points under its best

Traded options volume was also flat, dipping to 17,732

but this fizzled out around

midday.

for the day.

4.22 3.82

3.75 4.08 3.36 3.57 4.03

3.57 3.40 3,70

4,42 4.33 4.13 4.36 3.99 3.23

+0.4 1629.53 1630.57 1629.14 1653.45 4.02 6.55 18.34 80.63 1163.15

+0.4 22142.96 2150.07 2137.38 2283.90 4.51 9.10 12.74 92.06 857.58 +0.8 2830.11 2846.85 2822.22 2861.70 4.23 9.95 11.50 118.39 857.38 +0.8 2321.92 2312.96 2317.97 2728.60 5.59 10.09 11.29 62.57 536.18 +0.5 2321.92 2312.96 2317.97 2728.60 5.47 7.98 16.28 127.82 803.75 +0.5 2787.46 2788.99 2780.69 3024.00 3.73 10.30 11.24 103.78 846.40 40.4 1843.61 1844.27 1848.26 17712.20 3.94 8.53 14.03 67.68 994.69 -0.4 1404.83 1404.36 1401.56 1716.00 4.38 4.65 28.91 51.59 808.22

3046.6 3049.8 3043.2 3043.1 3047.1 3048.9 3038.9 3488.2 3488.9 3488.5 3486.8 3490.0 3490.2 3484.4 1528.5 1529.8 1627.3 1527.0 1528.9 1629.9 1525.6

2717.76 +0.6 2702.65 2894.45 2681.05 2674.80 2.30 1.97 51.20 59.98 916.19

1514.98 +0.4 1509.03 1510.28 1507.88 1543.27 4.03 6.78 17.66 56.72 1198.93

10.00 11.00 12.00 13.00 14.00 15.00 16.10 Close Previous Change

71,00 12.00 13.00 14.00 15.00

 Upon
 MUU
 7000
 1600
 16.10
 Close
 Previous

 968.3
 969.0
 969.2
 969.2
 969.1
 368.1
 3064.7
 3068.0
 967.5
 867.5
 968.1

 3068.1
 3069.3
 3068.1
 3072.8
 3064.7
 3068.8
 3070.5
 3072.1
 3050.7

 1779.9
 1787.9
 1781.7
 1774.8
 1773.4
 1773.1
 1773.4
 1780.8
 1783.9
 1768.5

 2668.8
 2874.0
 2677.0
 2881.1
 2883.1
 2885.5
 2877.1
 2882.1
 2888.0
 2887.7
 2885.8

Additional information on the FT-SE Accurries Share indices is published in Saturday degree. Lists of constituents are available from The Finencial Times

Additional Information on the FT-SE Accurries Share indices Sentice, which covers a range of destronto and paper-based

Limited, One Southwark Bridge, Landon SE1 (FF. The FT-SE Accurries 13-17 Emouries Share) Landon EC2A 4DL.

Productionalizing to these indices, is welled from F4SSTAT. Presty Moute, 13-17 Emouries Share Landon EC2A 4DL.

The FT-SEC has been returned FT-SE-A Non-Prestocials index. The FT-SE 100, the FT-SE Accurries 250 and the FT-SE Accurries Al-Share Indox is

The FT-SEC than been returned FT-SE-A Non-Prestocials index. The FT-SE 100, the FT-SE Accurries and a standard set of ground rules,

bendests are calculated by the international Stock Exchange of the Limited Kingdom and Republic of International Times Limited 1994, All digits reserved.

bendests are calculated by the international Stock Exchange of the Limited Limited Limited 1994, Or The Finencial Times Limited 1994, All digits reserved.

bendests are calculated by the international Stock Exchange of the Limited Limited Limited 1994, Or The Finencial Times Limited, the FT-SE Accurries Share compiled by The Finencial Times Limited North Market marks of the Limited Limited

today's Budget statement.

above fair value.

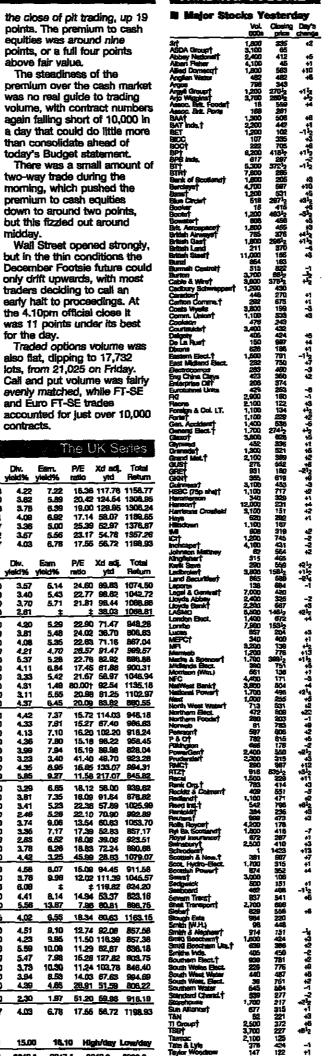
improved slightly to 274%p, has an all-cash offer of 1400p and as such the RRoS valuation was too high. on the table and is expected to lift this to at least 1550n.

RBoS rethink

Reassessment of the prospects for Royal Bank of Scotland ahead of figures on Thursday saw the Scottish clearer's shares lose 7 at 416p. The change of heart followed disappointing comments from the bank's insurance subsidiary

BZW, whose ardour has been cooling for some time, finally put the stock on its sell list, saying Direct Line's profits would peak in two years' time

TRADING VOLUME



obvious signs of nerves with a number of stocks putting in a steady showing. Bass gained 5 to 531p and GrandMet put on 2 to 398p following a switch recommendation from Nomura

おりなるとなるとなるとのなるとのなるところ

4

2,600 2,000 3,100 517 1,500 617 1,500 9,559 1,400 75 624 1,600 1,7

The top Japanese house told

The investment bank

believes that RBoS is at a cur-

rent price to book value of 4.7

times and sees the share price

falling to 380p. It forecast a

profit on Thursday of £520m

giving earnings per share of

Barclays moved ahead 10 to

A large block of TSB sold at

597p on switching out of

above the prevailing market

price, and via a marketmaker

anxious not to go short ahead of the Budget, saw the underly-

Dealers hung fire on Singer & Friedlander. The merchant

bank confirmed it was in talks

with Nordbanken, of Sweden,

over buying the Carnegie bro-

kerage but gave no further details. The shares held at 81p.

slipped 5 to 536p, with institu-

tions digesting a cautious note

from Smith New Court which

argued that the shares were

now at an over-demanding pre-

mium of between 28 and 30 per

Northern Ireland Electricity

rose 5 to 362 after agreement to

restore the Republican power

Historically one of the Bud-

link, out of service since 1975.

get's more price sensitive sec-

tors, drinks shares showed no

cent above net asset value.

Insurer General Accident

ing stock gain 8% at 227p.

35.4p and a 13.2p dividend.

Lloyds, up 3 at 567p.

NEW HIGHS AND LOWS FOR 1994

JESW HIGHS (17).
GRITS (1) Tressury Box 2000, BURLDING a
CHSTRIN (1) Pochies, DRITHERUTORS (3)
Middleons, Wishham, BLECTRING a SILECT
EQUP (1) Control Tech, ENGINEERING (3)
Hideligh Nob., Temples, VSEL Consortium,
HOUSEHOLD GOODS (1) Independent Park
HOUSEHOLD GOODS (1) Independent Park HOUSEHOLD GOODS (1) Independent Parts, Revestrater TRILISTS (2) Abmist Prelimed Zero Div Pl, Johnson Pry Euro Zero Pl, LEISURGE & HOTELS (1) London Cubs, OR. EXPLOPATION & PRICE (2) Camader, Global Natural Res. SUPPORT SERVIS (1) Busineer Past, TSKTILES & APPARE (1) Chemberlain Phipps, AMERICANS (1) Impirations.

MEW LOWE (45). BREWERES (1) Young Saw A, BUILDING & CHETRN (1) 88 & EA, BLDG MATLS & MICHTS (5) Hisymood Williams, Do. Pri., (Bleehall, Mayer Iral., Ramus, CHISAECALS (2) Wardle Storeys,

int., Risman, CHEMICALS (2) Wardle Storeys, Vocisitive, DISTRESUTORS (4) Diplome, Headland, Lor Sandon, Young P.L. DIMENSIFED BRUSS (1) Wichey, ELECTRING & ELECT EQUP (2) CML Micro, Chiofice, Savernians, ENGRESHENG (5) Bilants (LL, Chyde Bibaetan, Locker (17) A. EXTRACTIVES WIDS (1) Pisoloscod, RESURFABRICE (1) JES, BRIESTMENT TRUSTS (16) LERSURE & HOTTELS (2) Cookings, Prior. Laisure, MEMIA (2) GOLG Generices Trot, Surnet A Vine, VTR, MERICHANT BANKS (1) Barrigs Spc 2nd PH, ORL (EVICAPATION & PRIOR) (1) Coptex Res., OTHER FEMANCIAL (1) Govert & Co., PRING, PAPER & PACKES (2) AS, Copper (1), Physic PROPERTY S Bibloy, Pts Land Spc. (Ji, Piyeu, PROPERTY (S) Birkby, Brit Land Op Bd, Do. 8Mpc Ptf, HK Land Hidge., Prop THIS RETAILERS, FOOD (1) Daily Farm, Partnership, RETAILERS, POOD (1) Only FI RETAILERS, GENERAL (2) Books, Upton & Cherry, SPERITS, WINES & CLOERS (1) Manydowa, SUPPORT SERVS (2) CIS inti. Impaction, Oxfort Molecular, TEXTELSS & APPARES, (2) Counterful Teacher, Rendicul, TRANSPORT (1) Liabed Certiers, CANADIANS

clients to switch out of Guinness and into GrandMet given the way the stout producer has outperformed over the past month and GrandMet's weakness ahead of this week's interims. Guinness shed 3 to 453p.

Allied Domecq rose 10 to 563p, partly in response to over-selling following last week's results but mostly on the perception that today's Budget statement will not produce duty increases.

Ahead of next week's interims and helped by positive comment from brokers James Capel, Scottish and Newcastle added 7 at 507p.

Dollar sensitive stocks

responded to the stronger US currency. Glaxo gained 5 to 626p and Unilever 9 to 1112p. International conglomerate Hanson, which reports fullyear figures on Thursday added 4 at 231p.

Healthcare group Smith & Nephew eased marginally to 151p following a strong perfor-

mance recently.
NatWest Securities issued a weighty review which argued inter alia that demand for oil was rising as OECD countries emerge from recession and lraq oil was unlikely to return to the market in significant quantities before the 1996 US election. The house maintains its forecast of \$19 a barrel for Brent crude and focuses on stocks with "low valuations and high leverage to a still improving industry background." The choices include BP which rose 1½ to 418½p and Lasmo which improved 21/4 to 146%p despite news that the company's corporate development director, Mr Norman Davidson Kelly, is to resign at

the end of the month. Shell Transport failed to get above 696p despite a recommendation on its Royal Dutch arm by Paine Webber.

British Steel rose 3 to 156p in turnover of 11m shares, helped by US press reports of strong North American steel prices extending into 1995 and possi-

Elsewhere among engineering shares, Siebe recovered 8 to 558n in advance of next week's interim results. TI Group gained 6 to 372p while renewed focus on a big foreign partner for its Rolls-Royce cars business underpinned a again of 8

to 184p at Vickers. Textile leader Coats Viyella fell 3 to 199p after Smith New Court shaved forecasts and Courtaulds Textiles shed 11 to 449p in sympathy. Analysts are concerned that the unseasonally warm weather will hit autumn sales, possibly forcing companies to discount prices.

MEPC, which unveils interim results on Thursday, gained a penny to 400p but Land Securities had a less resilient day, tumbling 9 to 589p ex the dividend following an unfavourable note about asset values from property advisers Savills.

Diversified industrial Williams Holdings held steady at 348p following the £80m purchase of the Angus fire equipment business from engineering services group BBA. BBA gained 8 to 203p.

Heavily dealt with 7.8m shares changing hands, BTR managed to hold steady at 285p despite weekend press sugges tions of nervousness among some institutional shareholders following last week's resignation of the group's chief operating officer.

MARKET REPORTERS: Peter John. Jeffrey Brown.

■ Other statistics, Page 26

LONDON EQUITIES

LIFFE !	EQUITY OPTIO	NS	RISES AND FALLS YESTERDAY	Riset.	Falle	Same
	(alls Puls	Cells Puls	British Funds	57 9	3 4	10
Option Wind Someon SSD :	Jan Apr Jel Jan Apr Jel 22% 35% 44 10% 20% 32	Optica Feb May Aug Feb May Aug Hanson 220 141/2 18 21 51/4 10 13	Mineral Extraction	54 143	59 84	89 402
(*583) BOO	\$ 14% 22 46 50% 62% 15 24 30% 6% 12% 18%	(230) 240 514 814 115 16 20% 24 Lasmo 140 12 16 1914 5 8 815	Consumer Goods	48 100	29 62	110
(271) 280	5% 14% 19% 17% 23 29%	(*146) 160 3% 8 10½ 16½ 19 19½	Utilities	25	7	329 11
ASOA 90 (*65) 70	614 9 10 114 3 4 114 4 5 614 814 9	Lucas Inda 200 14 19 24 8 13 15 (203) 220 51/4 101/4 15 20 24 281/4	Financials	85 127	83 30	196 308
Brit Akwaya 360	28 38 45% 6% 14 21%	P & O 500 38 49 80 16 324 37% (615) 850 15 26 37% 4314 61 65%	Others	<u>81</u> 709	<u>25</u> 380	<u>29</u>
(*376) 390 Saltī Balas A 420	10 22% 31% 21 28% 37 19 36 38% 11% 22 28	Pakington 160 19% 23 28 1% 3 5% (177) 180 7 11 14% 8 11 13%	Data based on those companies listed on the London Share Serv			1404
(*423) 480 Books 486	5 14 22 39% 45% 51% 47 52% 58% 3% 7% 13%	Production 300 24 28% 33% 6% 15 17% (2314) 330 9 14 19 21 31% 34				
(*494) 500	14% 28 35% 17 23 30%	RTZ 400 59% 71 94 11% 25% 33	TRADITIONAL OPTIONS First Dealings November 21 Last Declare	diona	Fe	bruary 23
EP 390 :	34% 42 49 3 9% 13% 16 24 32% 12% 21% 26	(*836) 850 29% 43 57 32 51 57 Redland 460 31 40 44% 13 26 33	Last Dealings December 2 For settleme			March 9
British Steel 140 (*156) 180	18 22% 28 1 3% 6 5 11 15 8% 11% 14%	(*472) 500 13 21 2614 35 5214 57 Royal inace 280 2114 2714 3214 1014 1814 2014	Calle: Aminex, Bula Res., Calluna, Kunick, NHL(Pref.), I Videologic Put: Aminex	Proteus,	Signet, Spr	ing Ram,
	33% 41 48% 9% 16% 23% 7 17% 25% 38% 44 50	(*296) 300 12% 18% 23% 21% 30 31%	Alondoofic Lit. Minney			
Cable & West 360	27 39 47 8 15% 21%	Tesco 240 14% 28 22 7 14 15% (244) 280 5% 11 13 19 25% 28	LONDON RECENT ISSUES: EQUITIE 1850e Airk Mid. City	_		
(*379) 390 '	11% 23% 32% 22% 30% 36%	Vodefone 183 17% 5 (*193) 200 8% 14 18 12% 15% 18%	price peid cap 1994 pric	28	Net Div.	
(*433) 460	21% 35% 42% 10% 17 26% 6 17% 24% 35 38% 49	WEEning 830 261/4 341/4 371/4 41/4 121/4 14 (*347) 360 18 18 221/4 18 28 29	p up (2m.) High Low Stock p - F.P. 16.8 88 70 Abtrust Latin Am 8		div. cov.	yld net
Comma Union 493 (*532) 543	47 53% - 3% 15 - 15 24% - 22 39% -	Option Jan Apr Jul Jan Apr Jul	- F.P. 1.82 83 48 Do Warrents 4 - F.P. 11.8 192 180 MAdem Pmtg 193	8	Q28% 8.1	14 112
	58 67 76% 5½ 20% 27%	BAA 500 181/- 311/- 38 81/- 151/- 22 (*506) 525 8 191/- 24 29 -	150 F.P. 79.4 149 145 Ashbourne 14 100 F.P. 68.8 93 85 BZW Commodities 853	8 +1 1		26 13.6
Kinglisher 460	23% 36% 46% 22% 44% 51% 23% 36% 41% 12% 21 31	Thanks Wr 460 38 60 58% 5 11 20% (487) 500 12% 25% 34% 21 28 40	- F.P. 5.94 47 37 Do. Writs 3 - F.P. 48.5 104 66 Celtura 9	8 +1	= =	= =
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(*274.) 280	व श्रिम श्रिम १५ १६० ४४	Puts 7,809	Shares traded (mil)* - 475.5 538.5 †Excluding inter-market business and oversess turrover,	£1.88	849.6	605.1

FT GOLD MINES INDEX Now % sing New New Year Gross die 52 week 25 on day 24 23 age yield % Nigh Low 1934,33 +1,6 1915,97 1888,83 2029,36 Africa (18) \$128.18 -1.2 \$167.92 \$140.19 \$2614.15 4.39 \$771.87 \$2804.1 Australiests (7) \$2478.85 +2.0 \$2429.81 \$2441.77 \$229.28 2.05 \$3013.89 \$2171.8 Right Africa (17) \$149.87 +2.2 \$1467.41 \$1449.07 \$7767.59 0.99 \$209.68 \$1449.0 Copyright, The Financial Temps Limited 1994. Figures in braidless show number of comparies. Basis US Dollars. Base Values: \$1000.00 \$1419.82 Predoceater Colds Minns Indiac Nov \$258.4 ; day's change: -0.4 points; Year ago: \$20.9 † Partial. Latest prices were unstreliable for this edition. @ Regional Indices

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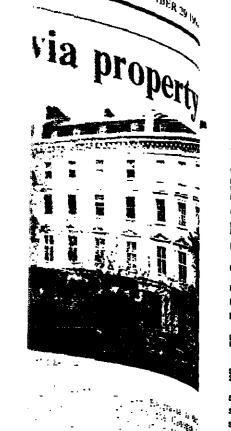
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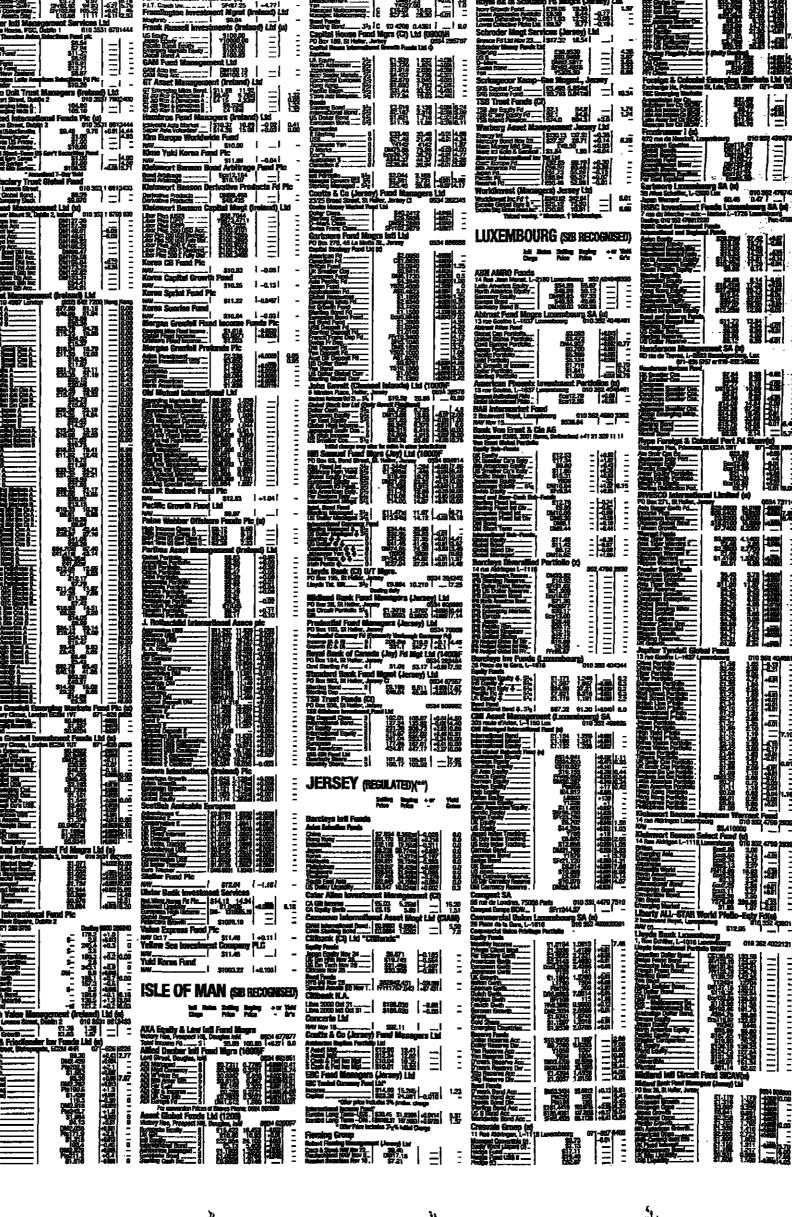
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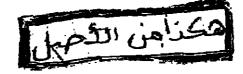
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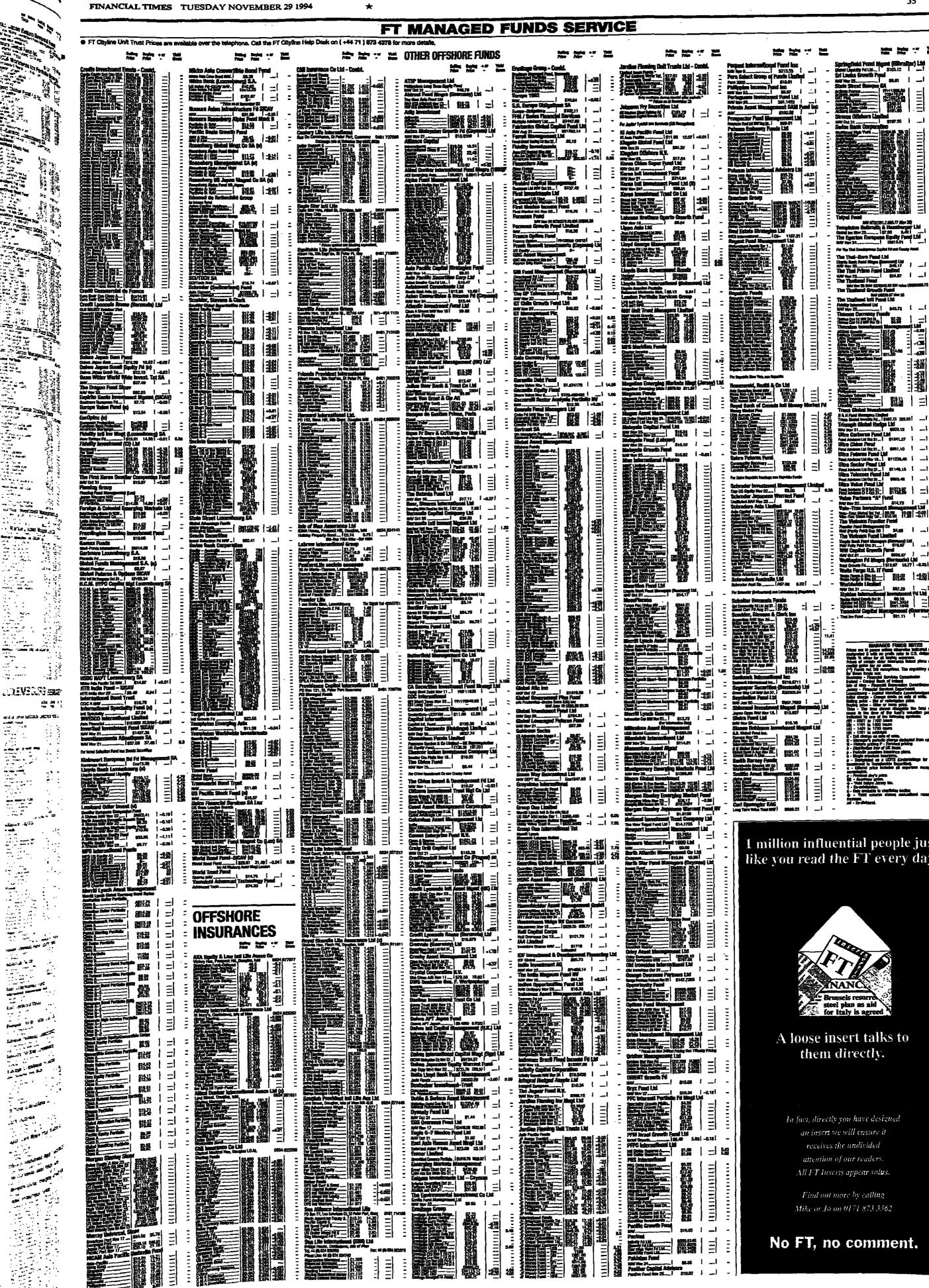
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CURRENCIES AND MONEY

MARKETS REPORT

36

Markets give sterling the benefit of the doubt

The pound traded steadily from Y98.765. yesterday ahead of the important parliamentary vote last night on the EU Finance bill, and the budget today, writes

Philip Gawith. Markets appeared to take the view that Mr John Major, the prime minister, would weather his current difficulties. Sterling closed in London at DM2.4453, from DM2.4366 on Friday, and

\$1.5632, from \$1.5631. Market activity was generally very subdued, with UK investors sidelined ahead of the budget, and a preponder-ance of US data at the end of

reversal of last week's shift from bonds into equities. Yesterday equities were firmer, while interest rate markets lost ground. The longer dated contracts of eurodollar interest rate futures lost 10-15 basis

The dollar finished half a pfennig firmer at DM1.5643, from DM1.5591, and at Y98.575,

In Norway the krone firmed as opinion polls indicated a possible "Yes" vote in the referendum on EU membership. It finished at NKr4.36/DM, up

from NKr4.384 on Friday. The lira benefited from talk of it possibly re-entering the Exchange Rate Mechanism, to finish at L1,031 from L1,038, against the D-Mark. In Israel, the shekel weak-

ened against the dollar, but rose against other currencies, when short term interest rates rose by 1.5 percentage points to 16.3 per cent. The shekel closed the daily tender at Shk3.053 against the dollar, from Shk3.049. The basket of foreign currencies traded at Shk3.3965 per basket, from Shk3.3984 on Friday.

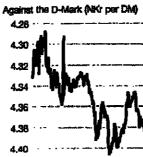
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■ Most of the movement in sterling occurred during Asian trading, but traders said it was significant that there had been no attempt to sell pounds dur-

ing European trading. Mr David Cocker, economist at Chemical Bank, commented: "Sterling/D-Mark recovered well thanks to the perception that Major is going to win the vote. The market has taken the view that he will still be the prime minister at the end of

He said if politics were removed from the equation, sterling had the potential to improve another 23 pfennigs. Mr Cocker predicted that ster-ling would probably benefit today from a rally in gilts assuming, as widely predicted. that the budget will reveal a sharp fall in the public sector borrowing requirement.

fortune in equity and bond markets reflected a re-appraisal of the likelihood of Norweglan krone



another interest rate rise in the US this year.

Mr Cocker said that while underlying sentiment towards the dollar had clearly improved, he found it difficult to predict it moving much higher at the moment. "The interbank market is sitting a little bit long of dollars, and there does not seem to be a desire on the part of external

DOLLAR SPOT FORWARD AGAINST

He said the dollar was likely to trade in a fairly narrow range ahead of the jobs report on Friday. "In employment week, you rarely see the dollar do much in the first few days,

unless other factors come into In the longer term, many analysts are bullish about the dollar. Goldman Sachs concluded a recent review, saying: Current interest rate differentials are probably wide enough to support the dollar against the yen and D-Mark. And, the

next several months." "We continue to forecast a yen/S exchange rate of 103 and a DM/\$ rate of 1.57 on a sixmonth time horizon," said

Reserve officials tighten mone-

tary policy further over the

Mr Mike Rosenberg of international fixed income research at Merrill Lynch, takes a more cautious view. He

"behind the curve" in comb ting inflation, "and as long that remains the case, the d lar is still at risk of movi lower again.'

He adds, though, that th recent rise in US rates h bought the Fed some time. the Fed uses that time wise and gets back on the curve, ti and ultimately move higher Until then, it is too early to talking about a fundament turn in the dollar's value."

dollar is likely gradually to appreciate further as Federal In its daily money mark operations, the Bank England cleared a £250m shot age at established rates. Thre month LIBOR eased to 64 p cent from 6% per cent.

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ine .	2753.00 · 2756.00	1745.08 - 1759.00
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32.1325 6.1273 4,849 4,8246 4,8375 5,3800 5,3580 5,3682 1,5671 1,5617 1,5636 241,390 240,080 243,725 -1,5410 1,5330 1,5403 1621,50 1616,90 1617,45 1613.70 1621.50 1616.90 32.2480 32.1000 1.7557 1.7512 6.8880 6.8218 160.050 159.770 130.870 130.370 7.5220 7.4450 1.3295 1.3242 1.5638 1.5595 1.2205 1.2155 -3.8 320 - 420 +0.09 450 - 550 +0.0054 512 - 522 -0.0084 218 - 233 +0.84 950 - 050 +0.42 550 - 600 +0.42 550 - 600 +0.0087 125 - 225 +0.006 628 - 636 -0.0026 182 - 187 32.1325 1.7509 6.8329 160,000 160,575 130.79 7.5287 1.3246 -2.0 -1.9 2.0 0.1 1.5632 -0.0001 000 - 001 -0.0045 540 - 550 +0.0015 774 - 779 1.0002 0.8630 1.3779 1.0001 0.8545 0.8520 1.3745 -0.0043 113 - 122 +0.0006 320 - 325 -0.0025 700 - 750 -0.19 500 - 000 +0.0008 573 - 583 1.3146 1.3098 7.7325 7.7320 31.3750 31.3700 98.9500 98.4800 1.3144 7.729 31.5875 97.705 -0.7 0.3 7.7302 31.4425 98.305 2.5548 2.5578 2.5595 2.5573 1,6103 1.8041 24.0000 23.5000 3.7510 3.7505 3.7544 3.7508 1.4625 1.3 3.5613 -5.2 4.223 -8.0 797.5 -4.5 1.4640 3.5458 4.1950 -0.0014 635 - 645 +0.009 450 - 465 +0.013 850 - 050 -0.35 400 - 600 1.4679 1.4635 3.5465 3.5380 4.2050 4.1850 794.800 794,400 1,459 3,5934 4,2675

CROSS RATES AND DERIVATIVES 1,990 1,044 1,192 16,70 8,761 10 3,432 4.865 2.552 2.913 2.020 1.080 1.209 21.21 11.13 12.70 497.7 281.1 288.0 406.2 213.1 23.38 12.27 14.00 4.285 2.248 2.566 3.110 1.632 1.862 306.5 160.8 183.5 2.553 1.339 1.529 102.8 246.4 9.917 91.34 234.6 100. 122.5 212.9 120.5 250.1 716.2 160.4 194.9 11.58 0.468 4.291 11.02 4.898 5.757 10 5.668 11.75 5.458 7.518 7.630 9.158 2.042 0.082 0.757 1.945 0.829 1.016 1.764 1 2.073 0.963 1.326 1.346 1.616 8.268 0.333 3.065 7.872 3.355 4.112 7.142 4.048 8.392 3.898 5.869 5.449 6.541 2485 100. 921.1 2386 1008 1236 2146 1217 2522 1177 1614 1638 1966 2.698 0.109 1 2.568 1.096 1.341 2.330 1.321 2.738 1.272 1.782 1.778 2.134 10.50 0.423 3.893 10 4.282 5.223 9.072 5.142 10.65 4.951 6.922 8.309 201.1 8.093 74.54 191.5 81.61 100. 173.7 98.46 204.1 94.80 130.6 132.5 159.1 1,540 0,062 0,571 1,466 0,625 0,766 1,380 0,754 1,563 0,729 1 1 0.040 0.371 0.952 0.408 0.497 0.884 0.490 1.015 0.471 0.649 0.858 0.791 2,409 0,097 0,893 2,294 0,978 1,198 2,081 1,179 2,445 1,136 1,564 1,568 1,508

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	Open	Latest	Change	High	Low	Est. voi	Open Int.		Open	Letnet	Chen	
Dec	0.6396	0.6396	-0.0020	0.6403	0,6384	12,671	97,336	Dec	1.0142	1.0165	+0.00	21
Mar	0.6400	0.8407	-0.0023	0.6408	0.6396	967	9,310	Mar	1.0225	1.0252	+0.00	19
Jun	0.6426	0.8426	-0.0025	0.8426	0.8426	2	1,336	Jun	1.0350	1.0383	+0.00	21
K SWIS	S FRANC F	UTURNS (I	MEM) SFr 12	25,000 per 9	SF1	<u>.</u>		n Strike	Me PUTUR	ES (DAM)	262,500	per £
Dec	0.7657	0.7560	-0.0031	0.7562	0.7528	5,394	55.567	Dec	1.5608	1.5626	+0.000	œ
Mar	0.7589	0.7584	-0.0031	0.7589	0.7571	316	3,900	Mar	1.5800	1.5614		
Jun	0.7622	0.7628	-0.0033	0.7628	0.7622	1	304	Jun	-	1.5620	-	
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Nov 28				•	-)				
THUY 20		Over- night	7 days notice	One month	Three	Sib: months	One year	Netherign Belgium	ds 2.1967 40.212		14840 1.3817	+0.0
			-10-20-0					Germany	1,9496		43017 91294	+01
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Stading (-	-	512 - 576	母 - 54	6% - 6%	7½ - 7	France	6.5388		58914	-401
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Bank Bill		.19 .77	-1 -41	612 - 513	5월 - 5%	63 - 64		Portugal	192.85		5.510	
	thority depa. Market depe	세 - 43 44 - 4	54 - 48 5 - 47	55 - 54	6 - 5%	6½ - 6½ -	76 - 76	Spain	154.25	0 15	9.817	•
uK demi	hu benk bese	iendīna rati	a 5% oar o	ent from Se	otember 12	1994		7	MEMBERS			
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	_		month	month	months	months	morths	Ituly UK	1793.1 0.78874		78.94 82391	-0.00
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	as dep. under i							radio between	a pao stalence:	the percent	Acce contra	ence i:
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	t 1, 1994 to Oc							Eou central (17/9/92) Sta	isto. King end Mallen	Lira suspe	aded from	e EFW
	E MONTH :	THE LINE	rurindi	(LIFTE) 25	00,000 poir	ts of 100%	<u> </u>					
	Open	Sett price	Change	High	Low	Est vol	Open Int.	E PHILA	PELPYLA SI	2/\$ OP1	JONE 2	31,25
Dec	93.70	93.72	+0.01	93.74	98.70	9965	128801	Strike			LS	
Mar	92.98	93,01	+0.02	33.03	92.96	12221	92496	Price	Dec	Je	n	Feb
Aun	92.37	92.41	+0.02	92.48	92.37	2808	5574 8	1,525	3.74	4.2		4.86
Sep	91.91	91.96	+0.04	91.97	91.91	1631	64429	1.580	1 80	25	14	2.00

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0.26	0.08	0.00	0.0	4 0.57	1.18
0.10	0.03	0.05	0.13	3 0.77	1.39
0.02	0.01	0.03	0.30	1.00	1.82
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	0.28 0.10 0.10 0.02 balls 5659 Published 5659 Published 5.77 rank	0.26 0.08 0.10 0.03 0.02 0.01 bills 6659 Puts 2868. Previo bills 6559 Puts 2868. Previo bills 6559 Puts 2868. Previo bills 6559 Puts 2868. Previo bills 6575 Bills 657	BASE LENDING BA	Q.28 Q.08 Q.09 Q.00 Q.10 Q.03 Q.05 Q.11 Q.02 Q.01 Q.03 Q.31 Q.02 Q.01 Q.03 Q.31 Q.02 Q.01 Q.03 Q.31 Q.03 Q.33 Q.33	0.28 0.08 0.09 0.04 0.57 0.10 0.03 0.05 0.13 0.77 0.02 0.01 0.03 0.30 1.00 0.08 6559 Puts 2858. Previous day's open let., Calls 343268 Puts 244 0.08 0.575 0.05 0.05 0.05 0.09 0.05 0.13 0.70 0.09 0.09 0.05 0.13 0.70 0.09 0.09 0.05 0.15 0.05 0.09 0.09 0.09 0.05 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.09 0.00 0.00 0.09 0.09 0.00 0.00 0.09 0.09 0.00 0.00 0.09 0.09 0.00 0.00 0.09 0.09 0.00 0.00 0.09 0.09 0.00 0.00 0.09 0.09 0.00 0.00 0.09 0.09 0.00 0.00 0.00 0.09 0.00 0.00 0.00 0.09 0.00 0.00 0.00 0.09 0.00 0.00 0.00 0.09 0.00 0.00 0.00 0.09 0.00 0.00 0.00 0.00 0.00

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Dec	1.5608 1.	9826 +0.00	02 1.5628	1.5800	8.438	48.827
Mar	1,5800 1.	5614 -	1.5820	1.5598	795	2.875
Jun		5620 -	1.5620	1.5800	685	122
		-		12000	•	122
FIGS FI	ROPEAN	Clibber	KCV IDE	T DATE	•	
					-	
Nov 28	Ecu cen.	Plate	Change	% +/- from	% spress	
	2005	against Ecu	on day	Cert rate	A Atabias	t indi
Netherlands	2.19672	2.14340	+0.00159	-2.43	6.19	
Beighun	40.2123	39.3817	+0.021	-2.12	5.85	15
Germany	1.94964	1,91294	+0.00142	-1.88	5.60	•
treiend	0.808628	0.794033	-0.002038	-1.80	5.51	12
France	6.53883	6.58914	+0.00091	0.46	3.13	-4
Demmerk	7.43679	7.49170	+0.00329	0.74	2.85	-5
Portugal	192.854	195.510	+0.224	1.38	2.20	-ĕ
Spein	154,250	159.817	+0.246	3.61	0.00	-25
•						
NON ERM N	ABABERS					
Greece	264,513	294,707	B00.0-	11.41	-7.01	
Itely	1798.19	1978.94	_3.66	10.36	-6.12	-
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e prelade	LPHA 55 £/	OPTIONS 2	31,250 (cents	per pound)		
Strike		CALLS			พาร	
Price	Dac	Jan .	Feb			Feb
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1,525	3.74	4.22	4.89		0.61	1.10
1.550	1.80	2.51	3.09		1.37	1.97
1,576	0.58	1.34	1.94		2.59	3.19
1.600	0.11	0.82	1.12		4,35	4.83
1.625	-	0.23	0.59		6.44	6.77
1.850	-	0.06	0.27	8.62 .	8.70	8.88
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Previous o	tay's vol., Call	3,043 Puta	4,610 . Pres	day's oper	n Int., Ca	- 8 5 392,1	88 Puts 861,	a05
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E TIPE	III. MCOTTH	ELMODOL	LAR DAM	\$1m poi	nts of	100%		
_	Open	Latest	Change	a High	1	TOM.	Est. vol	Open int.
Dec	93.93	93.89	-0.05	93.8	3 1	93.89	37.926	377.089
Mar	93.40	93.29	-0.11	93.4	0 1	93.29	51.970	461.383
Jun	92.81	92,89	-0.15	92.6	1 1	92,69	36,923	319,289
E US 71	HEASURY I	MLL, FÜTÜ	THES (MAN)	\$1m per	100%			
Deç	94,58	94.52	-0.08	94,57	7 (4.52	1,686	11,782
Mar	94,01	98,93	-0.10	94.0	94.01 98.9		612	11,230
Jun.	93.43	23.36	-0.13	93.4	3 9	93,36	18	1,896
All Open 1	nterest fgs. a	ne for previou	as day					
	MARK OF	mons (LF	FE) DM Im	points of	100%			
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Price	Dec	Jan	Feb	Mar	Dec	Jan	Feb	Mar
475	0.09	0.06	0,11	0.13	0.03	0.13	0.16	0.18
2500	0.02	0.02	0.03	0.05	0.21	0.32	0.83	0.35
1626		0	0.01	0.01	0.44	0.55	0.58	0.86
Set val to	587, Calls 537 SWR\$8 FR	6 Pus 3486. AMC OPTI	Previous de CNCS (LIFF	ey'e open k 12) SIFr 1m	nt, Cali points	221075 of 100	Puts 20307	4
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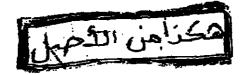
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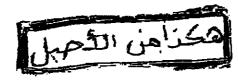
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Retail stocks benefit from **Thanksgiving**

Wall Street

US share prices gained modestly yesterday morning as investors looked for good value amid the wreckage of last week's sell-off, writes Lisa Bransten in New York.

By 1 pm the Dow Jones Industrial Average was up 18.84 at 3,727.11. The more broadly based Standard & Poor's 500 rose 0.51 to 452.80, while the American Stock Exchange composite lost 0.46 at 434.23. The Nasdaq composite was up 1.77 at 744.29. Trading volume on the NYSE came to 150m shares.

The Dow fell more than 140 points in the first three days of last week and then posted a 33point recovery on Friday in extremely low volumes. The market was closed Thursday for the Thanksgiving holiday.

Some analysts still believe there may be a traditional year-end rally but most are bearish about the longer term prospects for the market. Statistics released early in the morning showed sales of existing homes had increased 0.5 per cent in October, in spite of increasing interest rates, and many fear such data could prompt the Federal Reserve to raise interest again in the near term, thus depressing corporate earnings.

Prices of leading retailers were mixed with companies posting gains outpacing those showing losses after reports from shopping malls across the country of a busy Thankseiv-

ing weekend. Stores showing increases included Nordstrom 5% higher at \$46%, Gap \$% at \$36, Ann Taylor \$% at \$39%, Dillard Department Stores \$\% at \$27\%. Dayton Hudson \$% at \$78%, and May Department Stores \$1. at \$36%. JC Penney fell \$1% at \$46% and Sears, Roebuck was

unchanged at \$23%.

Shares of RJR Nabisco Holdings fell \$\% at \$6\%, in spite of news from the consumer products giant that it was developing a smokeless cigarette.

Campbell Soup shares were up \$% at \$43% after the company announced that it had agreed to buy Pace Foods, the saisa maker, for \$1.1bn. Campbell said that the deal would probably dilute earnings-pershare in 1995 and 1996.

Toronto fell slightly in quiet midday trading as interest rate concerns and weakness in other markets sapped investors' confidence. Declines in golds, financial

services, and energy stocks outpaced gains led by conglomerates and forestry products. The TSE 300 index eased 3.80

to 4095.40 in low volume of 19.1m shares. Among active stocks, Stelco class A topped the list, rising C\$% to C\$7% while Federal

Industries class A traded flat Bank of Nova Scotia fell C\$1/4 to C\$27% ahead of fourth quarter results due later this week.

Shares were off 1.3 per cent in São Paulo by midsession although activity was slow. The Bovespa index was off 569 at 43,418 at 1 pm in low turnover of R\$70m (\$81.7m). Telebras preferred was down

1.5 per cent at R\$36.35. Venezuela

Shares fell in Caracas as the forthcoming share subscription from Electricidad de Caracas weighed on sentiment.

The Merinvest composite

S Africa pulls back from high

Markets in Perspective

from early highs to finish little changed after worries resurfaced about the prospects for further declines on Wall Street later in the week.

Traders said golds were attracting interest at current levels, but needed a higher

Johannesburg pulled back bullion price before a sustained raily could be expected. The overall index collected 2.5 to close at 5,833.9, after an early peak of 5,850.9. Industrials rose 4.9 to 6,934.2 and golds put on 10.3 at 2,056. De Beers finished 50 cents weaker at R93.50.

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	% change in local currency †				storting †	P 0221		
	1 Week	4 Wosia	1 Year	Start of 1994	Start of 1994	Start of 1994		
łustria	+0.74	+1.50	-4,87	-13.37	-8.88	-3.74		
Belgium	+0.72	+2.01	-3.70	-8.90	-2.76	+2.73		
Denmark	-0.69	+1.35	-3.22	-10.15	-5.34	+0.00		
Finiand	-4.18	-5.34	+25.14	+22.24	+39.37	+47.22		
rançe	+0.71	+2.06	-6.87	-13.47	-9.70	-4.60		
3emeny	-2.14	+0.44	-2.68	-10.97	-6.13	-0.83		
reland	-1.37	-0.85	+5.24	-1.59	+1.89	+7.63		
taly	-4.32	-2.57	+16.21	+1.12	+1.29	+7.01		
Vetherlands	-1.04	-1,76	+1.00	-5.36	-0.36	+5.26		
Norway	-0.54	-0.96	+5.00	-1.56		+8.33		
Spain	+0.55	+3.34	+0.01	-7.52	-3.87	+1.56		
Sweden	-1.19	+1.44	+15.41	+7.04	+13.08	+19.46		
Switzerland	-1.09	+3.49	-3.79	-11.00	-5.27	+0.07		
Ж.,	-3.07	-1,47	-1.67	-10.97		-5.95		
	-1.80	+0.02	-0.97	-9.31	-8,54	+1.27		
Australia	+0.40	-4.82	-4.72	-10.31	-4.95	+0.41		
Hong Kong	-8.80	-8.81	-8.37	-29.04	-32_86	-29.08		
Japan	-2.41	-5.14	+0.26	+2.71	+9.86	+16.06		
Malaysia	-4.38	-8.71	+6.09	-19.94	-20.18	-15.65		
New Zeeland	-3.48	-5.70	+1.29	-4.08	+0.68	+6.36		
Singapore	-5.78	-6.82	+9.86	-7.96	-4.34	+1.05		
Canada	-0.74	-4.80	-0.70	-2.38	-11.10	-6.08		
JSA	-1.90	-4.2 5	-1.59	-2.51	-7.71	-2.51		
Vlexico	+2.25	-4.18	+12.16	-5.67	-19.53	-14.99		
South Africa	-1.41	+1.85	+41.02	+19.68	+16.21	+22.77		
WORLD INDEX	-2.17	-3.56	-0.61	-3.95	-3.52	-3.53		
Record on Monamber 25, 1904. Coveright The Executed Times I belled Coldings Suche & Co.								

Bourses search for inspiration amid dull trading

The Continent's bourses cast to DM24 from DM32. mostly started the week with little desire to move ahead.

FRANKFURT struggled to make progress and the DAX index closed the official session a scant 6.83 higher at 2,058.45. losing this in the Ibis session to settle at 2.050.82. Turnover came to DM4bn In chemicals, Bayer. up

DM4.30 at DM344.30, led the way after reporting a thirdquarter profits rise of more than 30 per cent compared with the same period in 1993. The company said that it

expected to see a continuation of performance throughout the rest of the year and might lift the dividend payment from the DM11 level of 1993. in common with the market, the stock drifted lower in the postbourse, to close at DM342.10. Elsewhere, BASF firmed 20

pfennigs to DM307.50 and Hoechst, which releases figures tomorrow, rose 50 pfennigs to DM318.00. The car sector concentrated

Volkswagen, off DM10.60 at DM441.20, and then to DM43.50 in the post bourse, as Deutsche Bank downgraded its 1995 earnings per share fore-

PARIS notched up an unimpressive rise, while turnover was an unexceptional FFr3bn. The CAC 40 index added 6.49 at

1.952.38. Rhone-Poulenc sank FFr2.30 to FFr134.50 following what was perceived as unfavourable comments in the local media by the company.

Carrefour, which benefited earlier in the session from an upgraded opinion from Merrill Lynch, closed the day just FFr1 higher at FFr2.150. Mr Charles Allen, European retail analyst at Merrill, said that he had been positive on the company for some time, given its strong exposure to developing markets and the prospect of 20 per cent earnings growth over the

MILAN staged a broad advance, making the most of the calmer political situation, but Credito Italiano was a heavy loser as speculation grew that it was about to raise its bid for Credito Romagnolo. The Comit index finished 4.04 higher at 627.21.

next five years.

The FIB 30 futures index made a reserved debut,

FT-SE Actuaries Share Indices THE EUROPEAN SERIES Open 10.30 11.00 12.00 13.00 14.00 15.00 Close Hourly changes FT-SE Eurotreck 100 1339.10 1339.29 1338.43 1339.70 1338.22 1335.62 1333.76 1335.02 FT-SE Eurotreck 200 1391.04 1391.25 1391.58 1390.58 1390.29 1397.31 1385.79 1387.54 Nov 24 No. 23 Nov 22 1313.33 1331.93 1328.77 1329.95 FT-SE Eurotrack 200 1391.75 een 1900 (26/1690); Hydriczy; 108 - 1338/66; 200 - 1391.71 Lowicky; 100 - 1333.34 200 - 1285.50 † Pacial

quoted registered gains. Futures volumes were modest, but dealers said that this was to be expected as investors waited to see how the index fared before committing them-

Romagnolo, which rallied 3 per cent last Friday, was suspended yesterday, pending an announcement Italiano fell L66 or 4 per cent

to L1,572 amid expectations that it would raise its bid for Romagnolo, and also seek more than the 48 per cent stake mooted when its bid was launched a month ago. Cir, Mr Carlo De Benedetti's

industrial holding company. appreciated L32 to L1,801 while Olivetti was L26 stronger at L1,891, amid reports that Mr Benedetti was willing to

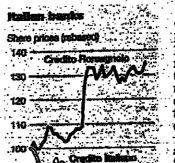
sell his 5 per cent stake in Romagnolo.

ZURICH put in a firm early performance in response to the dollar and bonds, but edged back from its best levels on a lack of follow-through buying. The SMI index finished 6.9

higher at 2,579.4.

UBS bearers dipped SF15 to SFr1,130. After the bourse closed, the bank said that the Zurich district court had imposed a temporary har on the registration of changes to by-laws, agreed by last week's extraordinary shareholders meeting, which agreed the creation of a single category of shares. The bank added that it

> Bearer shares in Von Roll picked up SFr31 to SFr230 on



the view that the price had fallen too far last week after news that the technology group was cutting its equity capital by 90 per cent. A SFr85 advance in Bank

3001 Sept Oct 1994 Mor

Source: FT Graphite

Julius Baer to SFr1,280 was attributed to a buy recommen-AMSTERDAM picked up ground after Friday's loss but

activity was slack. The AEX index gained 1.99 to 408.44. was not surprised by the deci-Royal Dutch strengthened 90 cents to Fl 186.70 with Paine Webber of the US said to have

OSLO finished higher as unofficial estimates of very heavy turnout in the country's EU referendum, and the last minute opinion polls, raised 3.75 higher at 608.52 in turn via SCA SCA Nover of NKr304m. the prospect that supporters of

Norske Skog Free, regarded as having much to gain from a "yes" vote, were up NKrs -- NKr177. NKr177.

Dealers noted that a "yes" could, paradoxically, lead to a sharper market fall than a "no", since a majority was unlikely to be wide enough to secure automatic parliamentary ratification, leading to further weeks of uncertainty.

STOCKHOLM strengthened in slow dealing, with the result from Norway one way or the other unlikely to have a significant impact on prices. The Affärsvärlden general index put on 7.2 to 1.502.8. MoDo B gained SKr2 to SKr350.50, following an upgrade.

Written and edited by John Pitt

ASIA PACIFIC

Arbitrage and public fund buying helps Nikkei rally

Tokyo

Arbitrage buying and purchases by public funds pushed share prices higher, and the Nikkei 225 average snapped out of weakness following five consecutive sessions of declines, writes Emiko Terazono in Tokyo.

The index ended 144.43 firmer at the day's best of 18,811.36 after opening at a low of 18,727.75. Activity, however, was slow and volume totalled 184m shares, against 260m.

A higher futures market pushed up stock prices, while public funds absorbed selling by overseas investors. But most investors remained absent due to continued worries over share price movements on Wall Street.

Traders fear that a fall in US shares will prompt profittaking in the Tokyo market by US pension fund managers. who have been active buyers since the start of the year. A further weakening of the yen could also prompt selling by overseas investors eager to lock in foreign exchange profits on their Japanese stock investments.

The Topix index of all first section stocks rose 7.40 to 1.491.42. while the Nikkei 300 put on 1.43 at 274.16. Rises led falls by 656 to 332, with 189 issues unchanged. In London the ISE/Nikkei 50 index gained 2.13 at 1,226.99 In spite of the rise in the

indices, 63 issues hit lows for the year. The lack of fresh news on the main market triggered some buying of smallcapitalisation stocks on the second section, the latter's index advancing 14.76 to 2,069.10. Nippon Soda added Y17 at

Y587 on reports that it was seeking to market a high-tech glass that cleans itself using ultraviolet sun rays. Speculators sold Ashimori Industry, which fell Y30 to Y649.

Japan Airlines lost Y29 at Y681 on reports disclosing its huge unrealised foreign ge losses. The company said it had around Y176bm in exchange losses stemming from 10-year forward rate contracts made in 1985 to 1986. Brokers, which have been

reak on fears of poor earnings, ested in the stock when it fell

Y20 to Y1,020 and New Japan Securities Y15 to Y645. South Korea High-technology shares were higher, Oki Electric gaining Y14 at Y693 and NEC Y10 at 1.200

Privatisation issues were firmer. Japan Tobacco improved Y1,000 to Y961,000 and Nippon Telegraph and Telephone Y5,000 to Y834,000. in Osaka, the OSE average moved up 64.39 to 20,810.72 in volume of 16.8m shares.

Y1,150, but Sony slipped Y20 to

Roundup

A lethargic mood afflicted much of the region. SEOUL extended early losses

on aggressive selling by institutions moving into cash, and the composite index receded 11.97 to 1,069.48. Volume, however, was a light 31m shares. compared with a recent daily average of 50m. Dealers said concern about a

liquidity squeeze also cast gloom on the market, adding that some institutions had been forced to buy corporate bonds to limit recent yield rises as a result of tight

HONG KONG finished little changed, with sharp early gains falling victim to caution about the future direction of US financial markets. The Hang Seng index ended 3.54 up at 8,662.37 after touching 8,751.18. Turnover dipped to HK\$2.2bn from Friday's

HSBC topped the actives list and held steady at HK\$86, followed by Hongkong Telecom, which gained 30 cents at HK\$15.35, and Hutchison. unchanged at HK\$31.30.

Players noted that index futures had stayed at a discount to the spot index until very late in the day, adding further to market wariness.

SINGAPORE followed the same course, closing flat after trimming most of its early gains in a trendless market. The Straits Times industrial index gained only 0.22 at 2,237.97, after dropping from the day's peak of 2,254.83. tion, which reported a 13.8 per

cent rise in net earnings, shed 3 cents to S\$2.97. Analysts said funds were only likely to become inter-

| Index | Inde

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130.50 169.91
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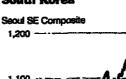
104.55 136.12 139.70 113.27 147.47 172.96

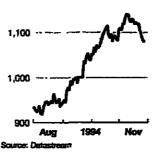
170.23 161.57 105.92 137.90 143.60 180.80 158.85 163.12

183.14 184.13

143,13 149,75 211,10 103,94 121,92

180.19 129.84 213,40 125.62 139.70





more in line with market valuations. KUALA LUMPUR drifted for

much of the day before ending weaker as investors liquidated holdings near the close to trim losses. The composite index slipped 6.29 to 1,005.23 in estimated volume of 79.8m shares.

Country Heights, the property developement group, rose 90 cents to M\$6.90 on good corporate results TAIPEI drifted down amid

late profit-taking after rises in the previous two trading days. Brokers said they expected further consolidation before the December 3 elections.

The weighted index lost 55.45 at 6.384.20 after an intraday high of 6.475.22. Turnover was

Profit-taking focused on textiles and steels, which had gained most in previous sessions: Shinkong Fibres retreated T\$1.50 to T\$30.80 and steel group Kao Hsing Chang T\$1.30 to T\$29.30. Low-priced fund shares

which are expected to issue high dividends in early 1995 attracted some buying from institutional investors, with Core Pacific moving up T\$0.10 to T\$11.35. President Enterprises rose

T\$0.50 to T\$55 on news that five foreign companies planned to invest T\$1.9hn to buy 12 per 1.900. cent of its unlisted affiliate President Chain Store. Farmers Bank climbed by the daily

MANUA fell sharply at the close as investors sold holdings in major issues, including Petron. The composite index lost 1.6 per cent.

its debut.

7 per cent limit to T\$48.10 on

Petron was hardest hit during the market's retreat, falling 4.6 per cent to 20.50 pesos. Property shares, which in

early trade showed resilience, also fell: Filinvest Land declined 2.12 per cent to 9.20 pesos and Megaworld Properties dipped 1.5 per cent to 16.25

SYDNEY was firmer but sentiment remained cautious as investors looked to the start of trading in New York. The All Ordinaries index closed 1.6 up at 1,918.0 in turnover estimated

at A\$312m. The December futures contract was 7 ahead at

Among banks, ANZ lost 6 cents at A\$3.98 following recent gains on better than expected results last week. Other banks were also weak, NAB losing 2 cents at A\$10.72 BANGKOK fell on a lack of

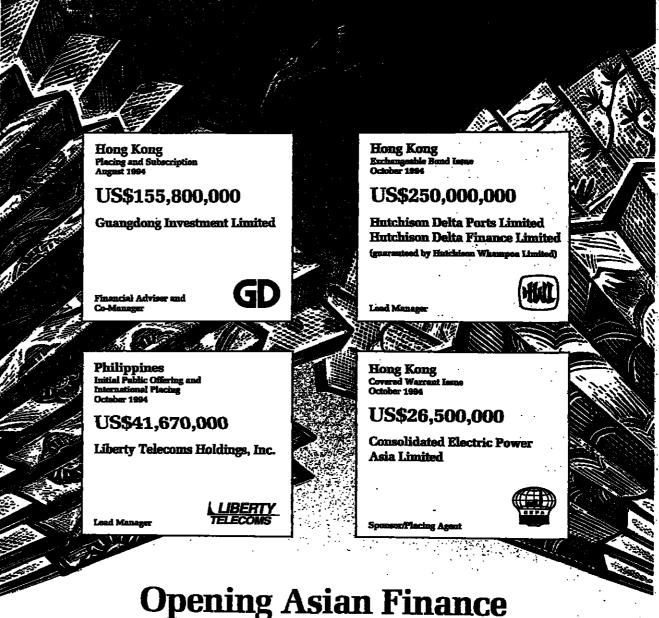
incentives after gaining almost

10 points in the morning. The

SET index closed 7.26 lower at 1,342-13, after fluctuating between 1,331.87 and 1,358.86, in thin turnover of Bt3.52bn. Profit-taking, particularly in finance counters, surfaced after the index moved closed to

the 1,359 resistance level, according to brokers. Buying interest emerged in bank and building materials stocks before the close. The building materials sector, led by Siam Cement which jumped Bt24 to Bt1,360 on a 34 per cent rise in net profits, was the

1 4



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HONG KONG = BEIJING = SHANGHAI = NANJING = GUANGZHOU = SHENZHEN = SINGAPORE = SECUL = BOMHAY = MANHA = BANGKOK JAKARTA = KUALA LUMPUR = HANGI = HO CHI MINH CITY = YANGON = BRISBANE = LONDON = MUNICH = ZURICH = NEW YORK = BAHRAIN

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